



USAID
FROM THE AMERICAN PEOPLE

USAID FIRMS PROJECT

District Profile and Sector Assessments - Lower Dir District

October 10, 2009

This publication was produced for review by the USAID. It was prepared by FINCON Services for an assignment commissioned by Chemonics International under the USAID Firms Project.



USAID
FROM THE AMERICAN PEOPLE

USAID FIRMS PROJECT

District Profile and Sector Assessments- Lower Dir District

DISCLAIMER

The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development (USAID), the United States Government or Chemonics International Inc.

Data Page

Contract Number:	GBTI II Task Order No. EEM-4-07-07-00008-00
Contractor Name:	Chemonics International, Inc.
Name of the Component:	Value Chain Development (VCD)
USAID Technical Office:	Office of the Economic Growth and Agriculture; USAID Pakistan
Date of Report:	October 10, 2009
Document Title:	District Profile and Sector Assessments- Lower Dir
Author's Name:	Farooq, M.A and Ahmad, S.
Study Design and Methodology:	Pittigala,N., Nemec, L. and Levitan, F.
Editing:	Nadeem, D.; Sattar, A Nida; Zehra, M.; Tahir, S.
Project Area:	District Lower Dir, Khyber Pakhtunkhwa, Pakistan
Key Words:	Sector Assessment, Lower Dir, Business, Increase Export, Women, Agriculture

Abstract

The purpose of this report is to determine and priority rank, within the context of district, the optimal mix of not less than 10 of the most economically promising sectors that would be of most benefit to the districts using a rigorous, empirically sound assessment methodology.

Acronyms

DASP	Dir Area Support Project
DCR	District Census Report
DDDP	District Dir Development Project
DPO	District Police Officer
FATA	Federally Administered Tribal Areas
FGD	Focus Group Discussion
IDP	Internally Displaced Person
NGO	Non-Governmental Organization
NWFP	North Western Frontier Province
PATA	Provincially Administered Tribal Areas
PKR	Pakistani Rupee
PTCL	Pakistan Telecommunication Company Limited
SOW	Scope of Work
US	United States
USAID	United States Agency for International Development

Table of Contents

EXECUTIVE SUMMARY	XVII
1. INTRODUCTION.....	1
1.1 GOALS AND OBJECTIVES.....	1
1.2 CONTEXT: DISTRICT BUSINESS ENVIRONMENT	1
2. DISTRICT PROFILE	2
2.1 SNAPSHOT OF DISTRICT	2
2.1.1 BACKGROUND.....	2
2.1.2 DEMOGRAPHICS	3
2.1.3 LOCAL ECONOMY- MAJOR ECONOMIC SECTORS AND SUB SECTORS.....	3
2.1.4 EMPLOYMENT AND WAGES	4
2.1.5 TAX BURDEN AND DISTRICT REVENUE BASE (TAX RATES).....	4
2.1.6 SECURITY (CRIME LEVELS BY CATEGORY, SECURITY PERSONNEL)	4
2.2 FACTOR ENVIRONMENT	5
2.2.1 INSTITUTIONS	5
2.2.2 GOVERNANCE:	5
2.2.3 INFRASTRUCTURE (LOGISTICS).....	5
2.2.4 NATURAL RESOURCES	5
2.2.5 MACROECONOMIC STABILITY	6
2.2.6 HEALTH SERVICES AND PRIMARY EDUCATION	6
2.3 ENHANCERS.....	7
2.3.1 HIGHER EDUCATION, VOCATIONAL AND TECHNICAL TRAINING	7
2.3.2 GOODS MARKET EFFICIENCY	7
2.3.3 LABOR MARKET EFFICIENCY.....	8
2.3.4 FINANCIAL MARKET SOPHISTICATION	8
2.3.5 TECHNOLOGICAL READINESS.....	8
2.3.6 MARKET SIZE	8
2.4 INNOVATION AND SOPHISTICATION ENHANCERS	9
2.4.1 BUSINESS SOPHISTICATION	9
2.4.2 INNOVATION	9
3. AGRICULTURE	11

3.1	NUMBER OF FIRMS.....	11
3.2	HISTORIC, CURRENT, AND POTENTIAL SALES WITHIN THE SECTOR	11
3.3	HISTORIC, CURRENT, AND POTENTIAL INVESTMENT WITHIN THE SECTOR	12
3.4	EMPLOYMENT	12
3.5	GEOGRAPHICAL CONCENTRATION	13
3.6	MARKET DYNAMICS AND POTENTIAL.....	13
3.6.1	DOMESTIC SALES, EXPORT TRENDS AND POTENTIAL	13
3.6.2	EXPORT TRENDS AND POTENTIAL	14
3.6.3	COMPARATIVE ADVANTAGE	14
3.6.4	MARKET READINESS (USE AND ADHERENCE TO NATIONAL AND INTERNATIONAL STANDARDS)	15
3.7	VALUE CRITERIA.....	15
3.8	SUPPORTING ENVIRONMENT	15
3.8.1	BUSINESS ENABLING CONSTRAINTS, INCLUDING INSTITUTIONAL AND REGULATORY CONSTRAINTS.....	15
3.8.2	ASSOCIATIONS	16
3.8.3	HIGHER EDUCATION AND VOCATIONAL EDUCATION INSTITUTIONS & ANNUAL NUMBER OF GRADUATES FROM THESE INSTITUTIONS.....	16
3.8.4	OTHER GOVERNMENT/NONGOVERNMENTAL INSTITUTIONS.....	16
3.8.5	COSTS OF ELECTRICAL INEFFICIENCIES TO ENTERPRISES INTERVIEWED.....	16
3.8.6	TRANSPORTATION AND LOGISTICS (INCLUDING COST AND TIME TO MARKET).....	17
3.8.7	AVAILABILITY OF OTHER SUPPORTING INFRASTRUCTURE (E.G. ZONES).....	17
3.8.8	COST AND TIME OF DELIVERY TO MARKET	17
4.	EMBROIDERY	18
4.1	INDUSTRY AND MARKET STRUCTURE	18
4.1.1	NUMBER OF FIRMS AND COMPETITIVE ENVIRONMENT	18
4.1.2	HISTORIC, CURRENT, AND POTENTIAL SALES WITHIN THE SECTOR	18
4.1.3	HISTORIC, CURRENT, AND POTENTIAL INVESTMENT WITHIN THE SECTOR	18
4.1.4	EMPLOYMENT.....	19
4.1.5	GEOGRAPHICAL CONCENTRATION (PRESENCE OF INDUSTRY OR SERVICE CLUSTERS)	19
4.2	MARKET DYNAMICS AND POTENTIAL.....	19
4.2.1	DOMESTIC SALES.....	19

4.2.2	EXPORT TRENDS AND POTENTIAL	19
4.2.3	COMPARATIVE ADVANTAGE	20
4.2.4	MARKET READINESS (USE AND ADHERENCE TO NATIONAL AND INTERNATIONAL STANDARDS)	20
4.3	VALUE CRITERIA	20
4.3.1	VALUE CREATION	20
4.3.2	RESIDUAL VALUE STREAM	21
4.4	WOMEN, YOUTH, IDP EMPLOYMENT OPPORTUNITIES	21
4.4.1	WOMEN-OWNED BUSINESSES	21
4.4.2	HISTORIC, CURRENT, AND POTENTIAL EMPLOYMENT OF WOMEN, YOUTH	21
4.4.3	EMPLOYMENT OF IDPs IN AT-RISK DISTRICTS	21
4.5	SUPPORTING ENVIRONMENT FOR VALUE CHAIN	21
4.5.1	BUSINESS ENABLING CONSTRAINTS, INCLUDING INSTITUTIONAL AND REGULATORY CONSTRAINTS	21
4.5.2	BUSINESS ASSOCIATIONS	22
4.5.3	HIGHER EDUCATION AND VOCATIONAL EDUCATION INSTITUTIONS & ANNUAL NUMBER OF GRADUATES FROM THESE INSTITUTIONS	22
4.5.4	COSTS OF ELECTRICAL INEFFICIENCIES TO ENTERPRISES INTERVIEWED	22
4.5.5	AVAILABILITY OF TRANSPORT/LOGISTICS INFRASTRUCTURE	22
4.5.6	COST AND TIME OF DELIVERY TO MARKET	22
5.	LIVESTOCK	23
5.1	INDUSTRY AND MARKET STRUCTURE	23
5.1.1	NUMBER OF FIRMS AND COMPETITIVE ENVIRONMENT	23
5.1.2	HISTORIC, CURRENT, AND POTENTIAL SALES WITHIN THE SECTOR	23
5.1.3	HISTORIC, CURRENT, AND POTENTIAL INVESTMENT WITHIN THE SECTOR	24
5.1.4	EMPLOYMENT	24
5.1.5	GEOGRAPHICAL CONCENTRATION	24
5.2	MARKET DYNAMICS AND POTENTIAL	25
5.2.1	DOMESTIC SALES	25
5.2.2	EXPORT TRENDS AND POTENTIAL	25
5.2.3	COMPARATIVE ADVANTAGE	25
5.2.4	MARKET READINESS (USE AND ADHERENCE TO NATIONAL AND INTERNATIONAL STANDARDS)	26
5.3	VALUE CRITERIA	26
5.3.1	VALUE CREATION	26

5.4	WOMEN, YOUTH, IDP EMPLOYMENT OPPORTUNITIES.....	26
5.4.1	WOMEN ORIENTED BUSINESSES	26
5.4.2	HISTORIC, CURRENT, AND POTENTIAL EMPLOYMENT OF WOMEN, YOUTH; EMPLOYMENT OF IDPs IN AT-RISK DISTRICTS	26
5.5	SUPPORTING ENVIRONMENT FOR VALUE CHAIN	27
5.5.1	BUSINESS ENABLING CONSTRAINTS, INCLUDING INSTITUTIONAL AND REGULATORY CONSTRAINTS.....	27
5.5.2	BUSINESS ASSOCIATIONS	27
5.5.3	HIGHER EDUCATION AND VOCATIONAL EDUCATION INSTITUTIONS & ANNUAL NUMBER OF GRADUATES FROM THESE INSTITUTIONS.....	27
5.5.4	OTHER GOVERNMENT/NONGOVERNMENTAL INSTITUTIONS.....	27
5.5.5	COSTS OF ELECTRICAL INEFFICIENCIES TO ENTERPRISES INTERVIEWED.....	28
5.5.6	TRANSPORTATION AND LOGISTICS (INCLUDING COST AND TIME TO MARKET).....	28
5.5.7	AVAILABILITY OF OTHER SUPPORTING INFRASTRUCTURE (E.G. ZONES)	28
5.5.8	COST AND TIME OF DELIVERY TO MARKET	28
6.	HORTICULTURE	29
6.1	INDUSTRY AND MARKET STRUCTURE	29
6.1.1	NUMBER OF FIRMS AND COMPETITIVE ENVIRONMENT	29
6.1.2	HISTORIC, CURRENT, AND POTENTIAL SALES WITHIN THE SECTOR	29
6.1.3	HISTORIC, CURRENT, AND POTENTIAL INVESTMENT WITHIN THE SECTOR	29
6.2	EMPLOYMENT	29
6.2.1	GEOGRAPHICAL CONCENTRATION (PRESENCE OF INDUSTRY OR SERVICE CLUSTERS)	30
6.2.2	DOMESTIC SALES	30
6.2.3	EXPORT TRENDS AND POTENTIAL	31
6.2.4	COMPARATIVE ADVANTAGE	31
6.2.5	MARKET READINESS, INCLUDING ABILITY TO MEET END MARKET REQUIREMENTS (STANDARDS, PACKAGING, VOLUME)	31
6.3	VALUE CRITERIA.....	31
6.3.1	VALUE CREATION	31
6.4	WOMEN, YOUTH, IDP EMPLOYMENT OPPORTUNITIES.....	31
6.4.1	WOMEN-OWNED BUSINESSES	31
6.4.2	HISTORIC, CURRENT, AND POTENTIAL EMPLOYMENT OF WOMEN, YOUTH; EMPLOYMENT OF IDPs IN AT-RISK DISTRICTS	32
6.5	SUPPORTING ENVIRONMENT FOR VALUE CHAIN	32

6.5.1	BUSINESS ENABLING CONSTRAINTS, INCLUDING INSTITUTIONAL AND REGULATORY CONSTRAINTS.....	32
6.5.2	BUSINESS ASSOCIATIONS	32
6.5.3	HIGHER EDUCATION AND VOCATIONAL EDUCATION INSTITUTIONS & ANNUAL NUMBER OF GRADUATES FROM THESE INSTITUTIONS.....	32
6.5.4	OTHER GOVERNMENT/NONGOVERNMENTAL INSTITUTIONS.....	32
6.5.5	COSTS OF ELECTRICAL INEFFICIENCIES TO ENTERPRISES INTERVIEWED.....	33
6.5.6	TRANSPORTATION AND LOGISTICS (INCLUDING COST AND TIME TO MARKET).....	33
6.5.7	AVAILABILITY OF OTHER SUPPORTING INFRASTRUCTURE (E.G. ZONES).....	33
6.5.8	COST AND TIME OF DELIVERY TO MARKET	33
7.	TRADE.....	34
7.1	INDUSTRY AND MARKET STRUCTURE	34
7.1.1	NUMBER OF FIRMS AND COMPETITIVE ENVIRONMENT.....	34
7.1.2	HISTORIC, CURRENT, AND POTENTIAL SALES WITHIN THE SECTOR	34
7.1.3	HISTORIC, CURRENT, AND POTENTIAL INVESTMENT WITHIN THE SECTOR	34
7.1.4	EMPLOYMENT.....	34
7.1.5	GEOGRAPHICAL CONCENTRATION.....	35
7.2	MARKET DYNAMICS AND POTENTIAL.....	35
7.2.1	DOMESTIC SALES.....	35
7.2.2	EXPORT TRENDS AND POTENTIAL	35
7.2.3	COMPARATIVE ADVANTAGE	35
7.3	VALUE CRITERIA.....	35
7.3.1	VALUE CREATION.....	35
7.4	WOMEN, YOUTH, IDP EMPLOYMENT OPPORTUNITIES.....	35
7.4.1	WOMEN-OWNED BUSINESSES.....	35
7.4.2	HISTORIC, CURRENT, AND POTENTIAL EMPLOYMENT OF WOMEN, YOUTH; EMPLOYMENT OF IDPs IN AT-RISK DISTRICTS	35
7.5	SUPPORTING ENVIRONMENT FOR VALUE CHAIN	36
7.5.1	BUSINESS ENABLING CONSTRAINTS, INCLUDING INSTITUTIONAL AND REGULATORY CONSTRAINTS.....	36
7.5.2	BUSINESS ASSOCIATIONS	36
7.5.3	HIGHER EDUCATION AND VOCATIONAL EDUCATION INSTITUTIONS & ANNUAL NUMBER OF GRADUATES FROM THESE INSTITUTIONS.....	36
7.5.4	OTHER GOVERNMENT/NONGOVERNMENTAL INSTITUTIONS.....	36

7.5.5	COSTS OF ELECTRICAL INEFFICIENCIES TO ENTERPRISES INTERVIEWED (E.G. WHAT IS THE IMPACT OF CURRENT ELECTRIC SHORTFALL, SHUTTING DOWN PRODUCTION, GENERATING ALTERNATIVE POWER, PLANS FOR NEXT FOUR YEARS TO DEAL WITH ENERGY, OVERALL COST OF POWER TO PRODUCTION COSTS)	36
7.5.6	TRANSPORTATION AND LOGISTICS (INCLUDING COST AND TIME TO MARKET)	37
7.5.7	AVAILABILITY OF OTHER SUPPORTING INFRASTRUCTURE (E.G. ZONES)	37
7.5.8	COST AND TIME OF DELIVERY TO MARKET	37
8.	METAL SECTOR	38
8.1	INDUSTRY AND MARKET STRUCTURE	38
8.1.1	NUMBER OF FIRMS AND COMPETITIVE ENVIRONMENT	38
8.1.2	HISTORIC, CURRENT, AND POTENTIAL SALES WITHIN THE SECTOR	38
8.1.3	HISTORIC, CURRENT, AND POTENTIAL INVESTMENT WITHIN THE SECTOR	38
8.1.4	EMPLOYMENT	38
8.1.5	GEOGRAPHICAL CONCENTRATION (PRESENCE OF INDUSTRY OR SERVICE CLUSTERS)	39
8.2	MARKET DYNAMICS AND POTENTIAL	39
8.2.1	DOMESTIC SALES	39
8.2.2	EXPORT TRENDS AND POTENTIAL	39
8.2.3	COMPARATIVE ADVANTAGE	39
8.3	VALUE CRITERIA	40
8.3.1	VALUE CREATION	40
8.4	WOMEN, YOUTH, IDP EMPLOYMENT OPPORTUNITIES	40
8.4.1	WOMEN-OWNED BUSINESSES	40
8.4.2	HISTORIC, CURRENT, AND POTENTIAL EMPLOYMENT OF WOMEN, YOUTH; EMPLOYMENT OF IDPs IN AT-RISK DISTRICTS	40
8.5	SUPPORTING ENVIRONMENT	40
8.5.1	BUSINESS ENABLING CONSTRAINTS, INCLUDING INSTITUTIONAL AND REGULATORY CONSTRAINTS	40
8.5.2	BUSINESS ASSOCIATIONS	40
8.5.3	HIGHER EDUCATION AND VOCATIONAL EDUCATION INSTITUTIONS & ANNUAL NUMBER OF GRADUATES FROM THESE INSTITUTION	40
8.5.4	OTHER GOVERNMENT/NONGOVERNMENTAL INSTITUTIONS	40
8.5.5	COSTS OF ELECTRICAL INEFFICIENCIES TO ENTERPRISES INTERVIEWED	40
8.5.6	TRANSPORTATION AND LOGISTICS (INCLUDING COST AND TIME TO MARKET)	41
8.5.7	AVAILABILITY OF OTHER SUPPORTING INFRASTRUCTURE (E.G. ZONES)	41
8.5.8	COST AND TIME OF DELIVERY TO MARKET	41

9.	FOOD PROCESSING	42
9.1	INDUSTRY AND MARKET STRUCTURE	42
9.1.1	NUMBER OF FIRMS AND COMPETITIVE ENVIRONMENT	42
9.1.2	HISTORIC, CURRENT, AND POTENTIAL SALES WITHIN THE SECTOR	42
9.1.3	HISTORIC, CURRENT, AND POTENTIAL INVESTMENT WITHIN THE SECTOR	42
9.1.4	EMPLOYMENT.....	42
9.1.5	GEOGRAPHICAL CONCENTRATION.....	42
9.2	MARKET DYNAMICS AND POTENTIAL.....	43
9.2.1	DOMESTIC SALES	43
9.2.2	EXPORT TRENDS AND POTENTIAL	43
9.3	VALUE CRITERIA.....	43
9.3.1	VALUE CREATION	43
9.4	WOMEN, YOUTH, IDP EMPLOYMENT OPPORTUNITIES.....	43
9.4.1	WOMEN-OWNED BUSINESSES	43
9.4.2	HISTORIC, CURRENT, AND POTENTIAL EMPLOYMENT OF WOMEN, YOUTH; EMPLOYMENT OF IDPs IN AT-RISK DISTRICTS	43
9.5	SUPPORTING ENVIRONMENT	43
9.5.1	BUSINESS ENABLING CONSTRAINTS, INCLUDING INSTITUTIONAL AND REGULATORY CONSTRAINTS.....	43
9.5.2	BUSINESS ASSOCIATIONS	43
9.5.3	HIGHER EDUCATION AND VOCATIONAL EDUCATION INSTITUTIONS & ANNUAL NUMBER OF GRADUATES FROM THESE INSTITUTIONS.....	43
9.5.4	OTHER GOVERNMENT/NONGOVERNMENTAL INSTITUTIONS.....	44
9.5.5	COSTS OF ELECTRICAL INEFFICIENCIES TO ENTERPRISES.....	44
9.5.6	TRANSPORTATION AND LOGISTICS (INCLUDING COST AND TIME TO MARKET	44
9.5.7	AVAILABILITY OF OTHER SUPPORTING INFRASTRUCTURE (E.G. ZONES)	44
9.5.8	COST AND TIME OF DELIVERY TO MARKET	44
10.	MARBLE AND CONSTRUCTION SECTOR	45
10.1	INDUSTRY AND MARKET STRUCTURE	45
10.1.1	NUMBER OF FIRMS AND COMPETITIVE ENVIRONMENT	45
10.1.2	HISTORIC, CURRENT, AND POTENTIAL SALES WITHIN THE SECTOR	45
10.1.3	HISTORIC, CURRENT, AND POTENTIAL INVESTMENT WITHIN THE SECTOR	45
10.1.4	EMPLOYMENT.....	45
10.1.5	GEOGRAPHICAL CONCENTRATION.....	45

10.2 MARKET DYNAMICS AND POTENTIAL.....	46
10.2.1 DOMESTIC SALES	46
10.2.2 EXPORT TRENDS AND POTENTIAL	46
10.2.3 COMPARATIVE ADVANTAGE	46
10.3 VALUE CRITERIA.....	46
10.3.1 VALUE CREATION.....	46
10.4 WOMEN, YOUTH, IDP EMPLOYMENT OPPORTUNITIES.....	46
10.4.1 WOMEN-OWNED BUSINESSES	46
10.4.2 HISTORIC, CURRENT, AND POTENTIAL EMPLOYMENT OF WOMEN, YOUTH; EMPLOYMENT OF IDPs IN AT-RISK DISTRICTS	46
10.5 SUPPORTING ENVIRONMENT	46
10.5.1 BUSINESS ENABLING CONSTRAINTS, INCLUDING INSTITUTIONAL AND REGULATORY CONSTRAINTS.....	46
10.5.2 BUSINESS ASSOCIATION	46
10.5.3 HIGHER EDUCATION AND VOCATIONAL EDUCATION INSTITUTIONS & ANNUAL NUMBER OF GRADUATES FROM THESE INSTITUTIONS.....	47
10.5.4 OTHER GOVERNMENT/NONGOVERNMENTAL INSTITUTIONS.....	47
10.5.5 COSTS OF ELECTRICAL INEFFICIENCIES TO ENTERPRISES INTERVIEWED (E.G. WHAT IS THE IMPACT OF CURRENT ELECTRIC SHORTFALL, SHUTTING DOWN PRODUCTION, GENERATING ALTERNATIVE POWER, PLANS FOR NEXT FOUR YEARS TO DEAL WITH ENERGY, OVERALL COST OF POWER TO PRODUCTION COSTS)	47
10.5.6 TRANSPORTATION AND LOGISTICS (INCLUDING COST AND TIME TO MARKET).....	47
10.5.7 AVAILABILITY OF OTHER SUPPORTING INFRASTRUCTURE (E.G. ZONES)	47
10.5.8 COST AND TIME OF DELIVERY TO MARKET	47

List of Tables

Table 1 Agriculture Statistics Of NWFP 2007-08.....	11
Table 2 Agriculture statistics report of NWFP - Area under cultivation of each crop, total production and yield per hectare	11
Table 3 Domestic Sales	13
Table 4 Export Trends and Potential	14
Table 5 Employment in Embroidery	19
Table 6 Total Population of Livestock.....	23
Table 7 Historic, Current, and Potential Sales within The Sector.....	23

Table 8 Employment in Livestock.....	24
Table 9 Livestock Government/ Nongovernmental Institutions	28
Table 10 Employment In Horticulture Sector	30
Table 11 Domestic Sales in horticulture sector.....	30
Table 12 Employees from the Youth in the Trading Sector.....	35

List of Figures

Figure 1: Employment Statistics.....	12
Figure 2: Domestic Sales	13
Figure 3: Comparative Advantage For Lower Dir In Agriculture.....	15
Figure 4: Availability and quality of electricity and other utilities.....	16
Figure 5: Historic, Current, and Potential Sales within The Sector.....	18
Figure 6: Comparative Advantage In Embroidery.....	20
Figure 7: Business-Enabling Constraints, Including Institutional and Regulatory Constraints	21
Figure 8: Availability and Quality of Electricity And Other Utilities.....	22
Figure 9: Historic, Current, and Potential Sales within the Sector.....	24
Figure 10: Domestic Sales	25
Figure 11: Employment of Youth.....	26
Figure 12: Business-Enabling Constraints.....	27
Figure 13: Historic, Current, and Potential Sales within The Horticulture Sector.....	29
Figure 14: Comparative Advantage in Horticulture Sector	31
Figure 15: Business enabling constraints, including institutional and regulatory constraints, in horticulture sector.....	32
Figure 16: Availability and Quality of Electricity and Other Utilities	33
Figure 17: Employment in trade	34
Figure 18: Business enabling constraints, including institutional and regulatory constraints, in trading	36
Figure 19: Historic, Current, and Potential Sales within Metal Sector	38
Figure 20: Employment.....	39
Figure 21: Domestic Sales in Metal Sector.....	39
Figure 22: Availability and Quality of Electricity and Other Utilities	41
Figure 23: Historic, Current, and Potential Sales within the Food-Processing Sector	42
Figure 24: Historic, Current, and Potential Sales within the Marble and Construction Sector	45

Executive Summary

The development of the District profiles and Sector Assessments will be based on three core themes: a market driven implementation plan for relevance, ownership, and sustainability; a focus on gender opportunity; and replicable systematic approaches for efficiency, scalability and sustainability.

In addition, three complementary components will be included as follows: Component 1 will focus on the development of the private sector by assisting key industrial sectors that offer the greatest opportunity for growth, exports, and employment. Project interventions will include developing a more competitive workforce, improving access to financing, and helping participating companies achieve international standards and certifications. Under this component, the Firms project will encourage the growth of Pakistan's promising business sectors to compete in global markets. Component 2 aims to develop business support services by developing a franchise network of local service providers who will assist the private sector of Firms in an effort ensure sustainability. Component 3 will focus on the Pakistan business-enabling environment by actively pursuing policy and regulatory reforms at the national, provincial, and district levels, based largely on input from the private sector. Project interventions under this component will result in a significantly reduced cost of doing business, increased ease in accessing government services, and improved government capacity at all levels to respond more promptly to the needs of the private sector.

1. Introduction

1.1 Goals and Objectives

The overarching goal of the Empower Pakistan: Firms Project is to develop a dynamic, internationally competitive business sector in Pakistan that increases exports, employs more people, and produces higher value-added products and strengthens the business development services market, creating entrepreneurial opportunities for Pakistani women and improving business enabling. The District Profiles and Sector Assessments will identify sectors that can provide imminent economic and social impact in the selected districts.

1.2 Context: District Business Environment

The development of the District profiles and Sector Assessments will be based on three core themes: a market driven implementation plan for relevance, ownership, and sustainability; a focus on gender opportunity; and replicable systematic approaches for efficiency, scalability and sustainability. In addition, three complementary components will be included as follows: Component 1 will focus on the development of the private sector by assisting key industrial sectors that offer the greatest opportunity for growth, exports, and employment. Project interventions will include developing a more competitive workforce, improving access to financing, and helping participating companies achieve international standards and certifications. Under this component, the Firms project will encourage the growth of Pakistan's promising business sectors to compete in global markets. Component 2 aims to develop business support services by developing a franchise network of local service providers who will assist the private sector of Firms in an effort ensure sustainability. Component 3 will focus on the Pakistan business-enabling environment by actively pursuing policy and regulatory reforms at the national, provincial, and district levels, based largely on input from the private sector. Project interventions under this component will result in a significantly reduced cost of doing business, increased ease in accessing government services, and improved government capacity at all levels to respond more promptly to the needs of the private sector.

2. District Profile

2.1 Snapshot of District

2.1.1 Background

Lower Dir was a princely state ruled by Nawab Shah Jehan Khan and his ancestors until its merger with Pakistan in 1969. Lower Dir was given the status of district in 1996. It is composed of two subdivisions named, Timergara and Jandool. These subdivisions have further been divided into six tehsils, namely, Samarbagh, Munda, Lal Qillah, Timergara and Adezai. The total area of the district is 1583 square kilometers. It is located from 34° 37' to 35° 07' north latitudes and from 71° 31' to 72° 14' east longitudes. It is bounded on the north by Upper Dir district, on the east by Upper Dir and Swat districts, on the south by Malakand Agency, on the west by Bajaur Agency and Afghanistan.

Physical Features and Rivers/Streams

Lower Dir is mostly mountainous. The mountains and hills are a Balambat part of the Hindukush range, mostly with the highest peaks in the upper northern part reaching a height of more than 3000 meters. Panjkora River and its tributaries have cut these ranges. Most of the people live and practice agriculture in these valleys. The major valleys are Timergara, Jandool, Maidan, Samarbagh, Asban and Adezai. The most important river is Panjkora, which enters the district from the northeast and flows southwest along with Bajaur Agency up to its confluence with Swat River. The maximum temperature in July is 38°C and minimum (during January) is 1°C. The normal temperature is maximum 21°C and minimum 7°C.

Ethnic Composition

Yousafzai is the pre-dominant tribe of Lower Dir. Other tribes include Mashwani, Saddat, Shah Khel, Mast Khel, Shinwar, Umer Khel, Osa Khel, Dush Khel, Mayar, Ani Khel, Gujjar, Sultan Khel, Lal Khan Khel, Aka Khel, Atrafi.

Religious Composition

Muslims	99.75 %
Christians	0.03%
Ahmadi	0.21%

Administrative Setup

The District heads the District judiciary and Session Judge supported by two additional district session judges, one senior civil judge, civil judges and Allaqa Qazis. The District Nazim is the political head of the district, and the District Coordinator is the administrative head of the district with no clear division of roles and responsibilities between these two heads of the district, as is the case in the rest of the districts. District police officer (DPO) is head of the police department of the district supported by three sub-divisional police officers and six station house officers.

2.1.2 Demographics

According to the 1998 census, the population of Upper Dir stood at 717,650, with an annual growth rate of 3.42%. This makes the population of Lower Dir approximately 1,038,873 as of 2009. The average household size is 9.3 persons. The sex ratio is 98.3 males per 100 females. Disabled population is 1.72%, working age group is 45.71%, below 15 years age are 51.81% and above 65 years are 2.48%. The vast majority of the population resides in rural areas, and the only urban area of the District is the Municipal Committee of Timergara which comprises 6.2% of the population. The overall literacy among the population aged 10 years and above is 29.90%, with male literacy ratio at 48.76%, and the female ratio at 12.25%. The total life time migrants are 1.26% of the total population. Out of these, 5.13% migrated for acquiring education, 16,595 moved due to marriages, 34.91% changed their places of residences with their household heads, 18.36% moved due to employment or transfer, and the remaining migrated due to other reasons.

2.1.3 Local Economy- Major Economic Sectors and Sub sectors

The economy of Lower Dir is mainly based on agriculture and agri-based products. The industry sector comprises a few flour mills and rice mills. Besides, small scale furniture making units are also in operation. The mineral resources include mainly marble, limestone, quartz and granite. The important sectors that generate employment and are based on indigenous skills comprise embroidery, metal sector and general trading. Dir is known for handmade caps, good quality knives and cutlery, and tasty oranges. The economy benefits from cheap labor, generally good weather conditions throughout the year, and ease of transportation to other districts. Broadly, the following sectors contribute to the local economy:

- a) Agriculture
- b) Forestry
- c) Livestock
- d) Horticulture
- e) Mining
- f) Trading
- g) Knife making and cutlery
- h) Concrete factories
- i) RCC pipe factories
- j) Marble
- k) Rice mills
- l) Flour mills
- m) Furniture and wood work
- n) Ice factories

From the above stated sectors, the following sectors have been identified for assessment. Some sectors have been merged into one sector for analysis purposes:

- Agriculture

- Horticulture
- Livestock
- Trading
- Embroidery
- Furniture
- Metal
- Food Processing
- Construction material

Micro business is about 40%, small business is about 50%, and medium scale business is about 10%. There are no major companies operating in the District. Majority of labor is working in the Agriculture and Forestry (75,607), followed by construction sector (12,151), and wholesale and Retail trade (10,530.)

2.1.4 Employment and Wages

Agriculture, horticulture, livestock (poultry) and trade are the main occupations of the district. The detail of occupation is given as following:

Agriculture, forestry, hunting, fishing	45.8%
Construction	19.14%
Whole sale, retail trade, restaurant/hotel	9.15%
Community, social and personal services	17.28%
Transport, storage and communication	4.54%
Manufacturing	2%

2.1.5 Tax burden and district revenue base (Tax Rates)

Areas falling under Provincially Administered Tribal Areas (PATA), including Malakand, Swat, Buner, Dir (Lower), Dir (Upper), Chitral, the tribal area in Kohistan district, the tribal area adjoining Mansehra district and the former state of Amb are exempted from all type of federal and provincial taxes.

2.1.6 Security (Crime levels by category, security personnel)

There are 7 police posts in Lower Dir, but due to the presence of militants in the area, they were vacated by the police. Since the military operation, a local jirga has been formed who have urged the district and provincial governments to make the police posts functional at Asbanr, Kharkanai, Gul Abad, Gora Ghat Ramora and Katkala, as the area has remained peaceful for quite some time. Prior to the militant's onslaught, the district had a low crime rate.

2.2 Factor Environment

2.2.1 Institutions

- Strength of supporting institutions (business associations, govt. agencies, NGOs): There are very few business associations that can provide support to businesses. DASP had established a stitching and embroidery cluster for supporting new entrepreneurs. A Farmers' Association in Talash supports its members for advice on inputs and markets. Poultry Association in Timergarah helps in establishing contacts for new businesses, and for vaccination, but has not been very active.
- Assistance offered by support institutions (i.e., financial, technical, advocacy): Mainly advocacy and some technical support are provided by these associations. Formal training facilities are nonexistent.

2.2.2 Governance

Political Stability, Government Effectiveness, Regulatory Quality & Corruption.

After the military operation, the writ of the Government is being established in the area. Political stability is the same as in the rest of the country. Being mostly a rural area, corruption is relatively less as compared to the urban areas.

2.2.3 Infrastructure (Logistics)

- Number of paved roads: Almost all the valleys are connected through blacktopped or shingled roads. However, still a large number of villages in far flung areas lack communication facilities. There are 307 kilometer black topped roads and 756 kilometers kacha road in the district. However, Dir Area Support Project (DASP) constructed almost 250 connecting roads in the past 10 years.
- Proximity to highways: The National Highway passes through Lower Dir to Chitral. Another road leads to Afghanistan after passing through Timergara, Shahi and Bin Shahi before entering Afghanistan.
- Number and location of airports: There are no airports in the District.
- Number and location of railways: There are no railway operations in the District.
- Number and location of ports (inland and ocean): There is no dry port or a sea port in the District.

2.2.4 Natural Resources

The natural resources comprise minerals and forests. The minerals include various metallic, non-metallic and industrial minerals. Common among these are Quartz, marble and granite. The government of NWFP has started regional mineral exploitation for gold and base metals, and Lower Dir is included in the Stream Sediment Surveys. The total area under forests is 19680 acres. Hilltops are covered with natural forests while there are some numerous men grown private nurseries of all kinds developed by people with the cooperation of forest department, [REDACTED] project and DASP project etc. Pine trees, popular, apple, robenia, eucalyptus, ailanthus, pulal, oak, wallue, olive etc are the most common form of forestry in the Lower Dir.

2.2.5 Macroeconomic Stability

Employment and unemployment levels and poverty:

The percentage of employed population to the population 10 years and above is 18.07%, which is 58.59% of the total labor force or economically active population. The unemployment rate is 24.2%

Labor Force participation:

Agriculture, horticulture, livestock (poultry) and trade are the main occupations of the district. The detail of occupation is given as following:

• Agriculture, forestry, hunting, fishing	45.8%
• Construction	19.14%
• Wholesale, retail trade, restaurant/hotel	9.15%
• Community, social and personal services	17.28%
• Transport, storage and communication	4.54%
• Manufacturing	2%

Local income levels

The income from agriculture varies from farmer to farmer and is based on the geographic location. The data shows that more than 60% of farmers are earning up to Rs. 500,000 per year from agricultural activities while 40% are earning one million rupees or more per year. However, figures are slightly discouraging for the year 2008 as 12.5% farmers have fallen from above one million to less than or equal to one million rupees income per annum.

2.2.6 Health Services and Primary Education

Efficiency Availability of Health Services

According to DCR 1998, the health facilities available in the district are 1 District Head Quarter Hospital, 4 Rural Health Centers, 29 Basic Health Units and 18 Dispensaries. There are some privately run health centers in Timergara and Maidan. But there is acute shortage of female doctors. There are only two gynecologists in Timergara. Most of the population in the rural areas gets the services of traditional birth attendants and go to Mardan and Peshawar in case of complications.

Availability of Education:

There are a number of government educational institutions in the district. Malakand University has been established recently in Chakdara. Private schools are being established in Timergara which are of good quality. The following educational institutions are available:

- 1 Govt. Degree College (Male)
- 1 Degree college (Female)
- 1 Govt. Inter College (Male)
- 7 Govt. Higher Secondary Schools (Male)

1 Govt. Higher Secondary Schools (Female)

51 Govt. High Schools (Male)

13 Govt. High Schools (Female)

55 Govt. Middle Schools (Male)

38 Govt. Middle Schools (Female)

555 Govt. Primary Schools (Male)

362 Govt. Primary Schools (Female)

206 Masjid Primary Schools (Male)

Population Demographics

According to the 1998 census, the population of Lower Dir stood at 717,650, with an annual growth rate of 3.42%. This makes the population of Lower Dir approximately 1,038,873 as of 2009. The average household size is 9.3 persons. The sex ratio is 98.3 males per 100 females. Disabled population is 1.72%, working age group is 45.71%, below 15 years age are 51.81% and above 65 years are 2.48%. The vast majority of the population resides in rural areas, and the only urban area of the District is the Municipal Committee of Timergara which comprises 6.2% of the population.

2.3 Enhancers

2.3.1 Higher Education, Vocational and Technical Training

Relevance of Higher Education

The district has a literacy ratio of 29.51% of population aged 10 years and above, which also includes the population with primary level of education. For the existing level of businesses, any specialized degrees or professional education may not be essential. However, for bringing about a general improvement in business and in the agriculture sector, higher education and training in relevant fields can play an important supportive role. DASP has in some cases provided such trainings. Now, higher education or training facilities are not available in the District.

Relevance of vocational and technical training:

Vocational and technical training institutes are not available.

2.3.2 Goods Market Efficiency

- Number of Firms in sector, presence of monopoly and corporate tax rate:

As there are no large businesses in the district, the presence of monopoly is minimal, where 2 or 3 traders exercise some control over supply of inputs. Corporate tax rate is not applicable in the District

- Condition of logistics infrastructure:
- Roads and telecommunication systems are mostly in workable condition. The roads are open throughout the year

- Availability of transportation/logistics services:

Transportation, store spaces are usually available without any problems. Rental cars, goods transportation vehicles, and courier services are commonly available.

2.3.3 Labor Market Efficiency

Wage rate, flexibility of wages, strike rates:

The wages for agriculture labor range from Rs. 100 to Rs 150 per day, while for skilled labor like masons, the average daily wage is about Rs. 500/- Labor strikes are not common. The labor market is not quite sophisticated, and in some cases, like in orchards, their most economic use is obtained by giving them piece meal contract of short term nature.

2.3.4 Financial Market Sophistication

- Availability and access to banking and non-banking finance:

Due to a very limited number of banks, and total absence of micro finance institutions, access to formal credit has been almost nonexistent. A lack of collateral/ mortgage also hampers access to loans.

- Availability of instruments and cost of financing suppliers' credit is at times available to farmers and poultry producers. No other instruments are available. The cost of financing in the informal sector can range from 50% to 200% per annum. The formal sector has much lower rates, ranging from about 12% to 18%, but access is very limited.

2.3.5 Technological Readiness

Internet, landlines, cell phones, TVs per head:

The Pakistan Telecommunication Company limited (PTCL) has provided a telephonic network to urban centers and selected villages. With the expansion of telecom sector, mobile service is available in most of the areas of the district. Telephone connections in 2008 were 23,382, and the population per telephone persons was 42.73. Internet services through DSL are available in Timergarah.

2.3.6 Market Size

- District population size, income levels

According to the 1998 census, the population of Lower Dir stood at 717,650, with an annual growth rate of 3.42%. This makes the population of Lower Dir approximately 1,038,873 as of 2009. The average household size is 9.3 persons. The sex ratio is 98.3 males per 100 females. Disabled population is 1.72%, working age group is 45.71%, below 15 years age are 51.81% and above 65 years are 2.48%. The vast majority of the population resides in rural areas, and the only urban area of the District is the Municipal Committee of Timergara which comprises 6.2% of the population.

The main source of income in the district is from agriculture, which varies from farmer to farmer and is based on the geographic location. The FGD data shows that more than 60% of farmers are earning up to Rs. 500,000 per year from agricultural activities while 40% are earning one

million rupees or more per year. However, figures are slightly discouraging for the year 2008 as 12.5% farmers have fallen from above one million to less than or equal to one million rupees income per annum.

- Access/linkages to other markets in Pakistan region, international

The District has road access to Bajaur agency, Swat, Malakand and Chitral

2.4 Innovation and Sophistication Enhancers

2.4.1 Business Sophistication

Access to Market Information:

Being far away from the main urban centers of the province, it has reduced access to market information. Most of the production is for local consumption, and therefore does not require a high degree of sophistication. Nevertheless, market information can be obtained through telephones and through direct contacts.

2.4.2 Innovation

- Access to applied research institutions (presence of R&D):

Not available

- Access to technical assistance:

Not available. Suppliers of inputs can and do provide rudimentary technical assistance. The associations are also helpful in limited ways.

Sector at a Glance

Agriculture

- Cultivated land is 37,600 hectares and 8,929 Farms
- 46% of district labor force employed in agriculture status (25% youth)
- Annual domestic sale is PKR 4.4 billion
- 81% value added
- No women employment
- 20-50% losses due to electricity shortage

Embroidery

- Total number of estimated firms are 500
- 11-15 female employment per firm (40% youth)
- Annual domestic sale is PKR 10 million
- 65% value added
- 100% women employment
- 50% losses due to electricity shortage

Livestock

- About 1,659,203 animals out of that 800,000 are in farms
- 2,400 poultry employment (30% youth)
- Annual domestic sale is PKR 10 million
- 43% value added
- Women are involved in livestock at house level but does not own said business
- 10% losses due to electricity shortage to poultry but minimal loss to other livestock's

Horticulture

- About 400 farms with an average of 6 cultivated hectare
- 4,000 employment (30% youth)
- Annual domestic sale is PKR 120 million
- 76% value added
- No women employment
- 40% losses due to electricity shortage

Trade

- About 4,500 trade businesses
- 13,500 employment (70% youth)
- Annual domestic sale is PKR 4 billion
- 70% value added
- Some women has home based trade business
- 10% losses due to electricity shortage

Food Processing

- About 150 firms
- 500 employment (80% youth)
- Annual domestic sale is PKR 150 million
- 56% value added
- No women employment
- 50% losses due to electricity shortage

Marble and Construction

- About 35 firms
- 700 employment (80% youth)
- Annual domestic sale is PKR 35 million
- 70% value added
- No women employment
- 50% losses due to electricity shortage

Metal

- About 200 shops / factories
- 1,000 employment (80% youth)
- Annual domestic sale is PKR 100 million
- 78% value added
- No women employment
- 50% losses due to electricity shortage

3. Agriculture

Industry and Market Structure

3.1 Number of Firms

According to the agriculture statistics of NWFP 2007-08, total cultivated land in Lower Dir is 44,643 hectares in which 37,601 hectare is net sown land.

Table 1 Agriculture Statistics of NWFP 2007-08

District	Reported Area	Cultivated Area		
		Total	Net Sown	Current Fallow
N.W.F.P	5,619,653	1,690,152	1,127,209	562,943
Lower Dir	142,638	44,643	37,601	7,042

Source: Agriculture Statistics NWFP

As per our findings in the FGDs, the average farm size is 10 hectares (25 acres or 50 jiribs) which means that the total number of farms (Firms for this study) is 8928. The findings further show that three families are directly dependent on one firm on the average. This means that a total of 26,786 families with an average family size of 9, or 241,074 individuals, are directly dependent on agriculture. This makes agriculture the largest employment-providing sector of Lower Dir.

3.2 Historic, Current, and Potential Sales within the Sector

There are three main crops of agriculture i.e. wheat, maize and rice in the district. According to the agriculture statistics report of NWFP, the total production of wheat in 2007-8 was 23,899 kg, maize was 13,487 kg and rice was 14,443 kg. The area under cultivation of each crop, total production and yield per hectare is given in the table below.

Table 2 Agriculture statistics report of NWFP - Area under cultivation of each crop, total production and yield per hectare

Crop	2005-06			2006-07			2007-08		
	Area	Production	Yield per Hectare in Kg	Area	Production	Yield per Hectare in Kg	Area	Production	Yield per Hectare in Kg
Wheat	25,724	22,665	881	25,742	25,216	980	25,747	23,899	928
Maize	8,430	11,401	1,352	9,300	14,185	1,525	9,285	13,487	1,453
Rice	8,075	13,188	1,633	8,500	14,450	1,700	8,496	14,443	1,700

Source: Agriculture Statistics NWFP

3.3 Historic, Current, and Potential Investment within the Sector

Farmers invest their savings, which they keep from the sale of their previous crop, in inputs, labor and transportation. However, they access various sources for credit, which include suppliers, friends and relatives. Credit from relatives and friends is obtained at zero interest rate while the credit from suppliers has a number of issues like 10 to 20 percent increase in price, low quality inputs and delay in supply. The credit from supplier is a major source of financing for farmers and the most important factor of low return on their investment. The people of Lower Dir do not access formal financial institutions for credit because of the cultural and religious reasons. Interest on loan is considered bad culturally and un-Islamic.

Due to increase in the prices of inputs, the capital requirement increases but in the absence of corporate farming the output remains the same. This results in decline in the income of farmers and they look for other sources of earning. Due to this phenomenon most of the agricultural land near urban centers is rapidly decreasing which is sold for residential and commercial purposes. Timergara was once famous for rice production but it has become the largest commercial center of the district where trading has become the most important economic activity.

Average investment on one farm is Rs. 200,000. While there are total of 8928 farms in the district the total investment in agriculture is 1.7856 billion rupees. This does not include the price of land.

3.4 Employment

Being the sole income source for 26,786 families with 241,074 individuals, agriculture is the pre-dominant source of employment for the inhabitants of Lower Dir. Given the data from the District Census Report 1998 that working age group of Lower Dir is 45.71% of the total population, the employment in agriculture sector is 110,195 (45.71% of 241,074). There are no females in agriculture sector because of the cultural and religious norms. Females are not supposed to work outside the premises of their houses and males have the responsibility of being the breadwinners for the household.

Discussions in the FGD revealed that youth employment is almost 25% (27,550 individuals) of the total workforce in agriculture. Half of the youth are full time employed, 25% are part time employed as they also attend school and college, and 25% are seasonal employees as they work in harvest season. Once the harvest season is over, they work on daily wages in other districts and major urban centers of the country.

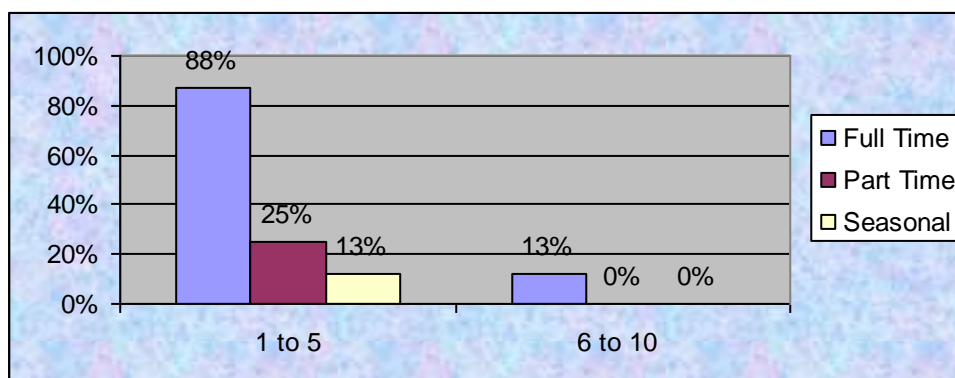


Figure 1: Employment Statistics

Source: Primary data

3.5 Geographical Concentration

Agriculture is the main source of earning of across the district. There is no specific cluster or geographic concentration. However, because of the availability of water in areas like Talash, Chakdara, Timergara, Rabat, Mayar, Haji Abad has made agriculture the most prominent sector in these areas.

3.6 Market Dynamics and Potential

3.6.1 Domestic Sales, Export trends and potential

The income from agriculture varies from farmer to farmer and is based on the geographic location. The data shows that more than 60% of farmers are earning up to Rs. 500,000 per year from agricultural activities while 40% are earning one million rupees or more per year. However, figures are slightly discouraging for the year 2008 as 12.5% farmers have fallen from above one million to less than or equal to one million rupees income per annum. The FGDs discussion revealed that the increase in price of inputs and soil erosion by the Panjkora River are the major reasons for declining income. The participants conveyed that although the law and order situation had been deteriorating during this period, but it has had minimal impact on agriculture thus far.

Table 3 Domestic Sales

Amount in Rupees	2008	2007	2006
	percentage	percentage	Percentage
50,000	25	-	60
175,000	37.5	40	-
375,000	-	20	-
750,000	12.5	-	-
Above 1,000,000	25	40	40

Source: Primary Data

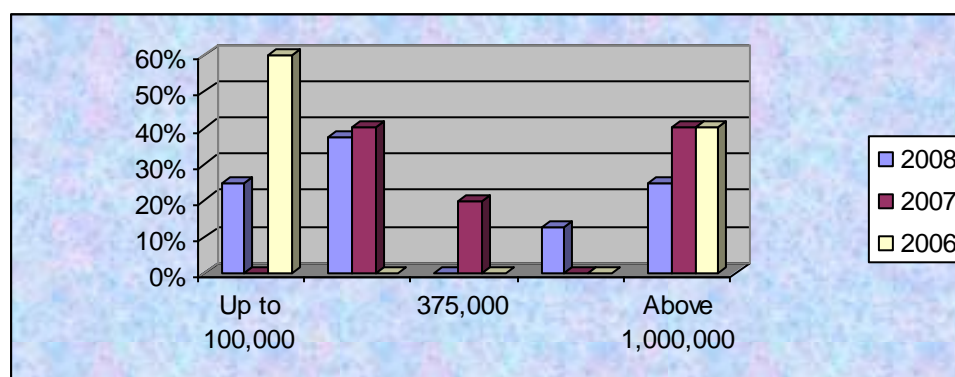


Figure 2 Domestic Sales

3.6.2 Export trends and potential

The data shows that a considerable quantity of the produce is consumed within the district. Wheat is not even enough for the district, while some produce of maize and rice are exported to the nearby districts at the time of harvest, but are imported from the main markets later on. This is because there is a considerable need of these commodities in Upper Dir and Bajaur and traders from these areas purchase most of the food and non-food items from Lower Dir.

Table 4 Export Trends and Potential

Percentage of Sale	Within District	National
	Percentage	Percentage
1-10%	14.3	-
11-20%	-	-
21-30%	-	-
31-40%	14.3	-
41-50%	14.3	33.3
51-60%	-	33.3
61-70%	-	-
71-80%	-	
81-90%	-	-
91-100%	57.1	33.3

Source: Primary Data

3.6.3 Comparative Advantage

Lower Dir has limited comparative advantages in agriculture. However, in the given environment, the most important factor is availability of cheap labor which is 37.3% as per the responses in the survey. Other factor of interest is conducive for social and cultural environment, which is 6.7%. This is because rural areas have strong social system where they get together and in hard times and share the burden of each other. This is called "Ashar" which was used to be there in almost all rural areas of NWFP.

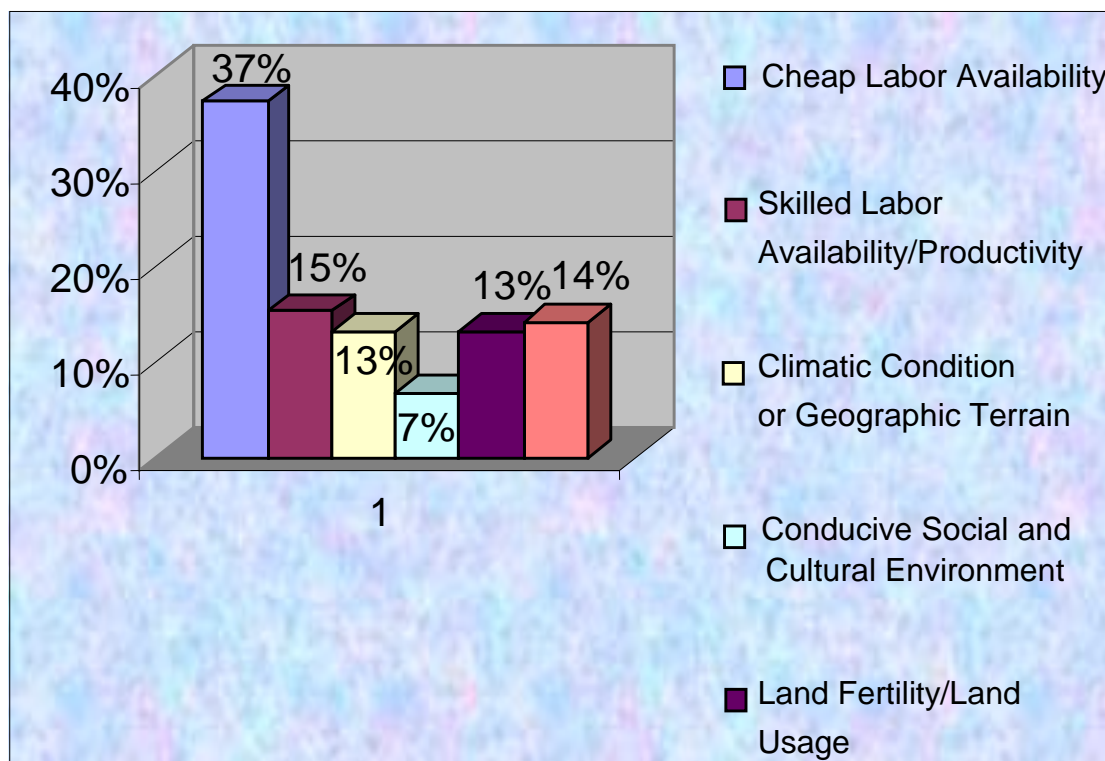


Figure 3: Comparative Advantage for Lower Dir in Agriculture

3.6.4 Market Readiness (use and adherence to national and international standards)

Agriculture produces are of good quality but with minimal standardization. The produces are used locally and in the adjacent districts. FGD data shows that there is no difference in the price of wheat of Lower Dir and that of other districts. Similarly the price of maize is also the same in the district. However, the rice produced here is called Begami which is in greater use locally but considered a second class quality in the rest of the country specially Punjab and Sindh provinces where people mostly like Basmati rice.

3.7 Value Criteria

Value creation in agriculture in lower Dir is 81%.

3.8 Supporting Environment

3.8.1 Business enabling constraints, including institutional and regulatory constraints

There are a number of constraints for agriculture sector in the district. Lack of capital and electricity are the most important ones. The lack of capital reduces the profit margin of farmers. Electricity problems reduce yield per hectare as tube well is the most important source of irrigation. The lack of storage facility and expensive transport increases the expenses of

farmers, lack of skills reduces the yield and increases expenses and lack of adequate utilities create marketing problems and reduces the profit margin of farmers.

3.8.2 Associations

There is only one association of farmers in Talash which has a total of 400 memberships from Talash and nearby villages. This association was formed by Dir Area Support Project (DASP), a project of the Government of NWFP.

3.8.3 Higher education and vocational education institutions & annual number of graduates from these institutions

There are no higher educational or vocational institutions in Lower Dir for agriculture sector.

3.8.4 Other government/nongovernmental institutions

Agriculture extension department is working in Lower Dir providing technical services to the farmers. But according to the FGD findings, this department is not efficient in service provision and serves only a limited number of large farms owned by influential.

3.8.5 Costs of electrical inefficiencies to enterprises interviewed

Electricity is very important for agriculture in Lower Dir because most of the irrigation is done through tube wells. In the absence of electricity, farmers use generators for tube wells. These generators are run through diesel or petrol which is too expensive for farmers to afford. As a result the water supply reduces and crops suffer at the end of the day. When asked about the amount of losses that they incur due to electricity problems they could not figure it out because most of the farmers are uneducated and they do not keep written records. However FGD discussion revealed that in 2008 their crops suffered by 20 to 30 percent because of the unavailability of water, electricity being the main reason of it. The availability and quality of electricity and other utilities gives a mix picture as the data represents different geographic spread.

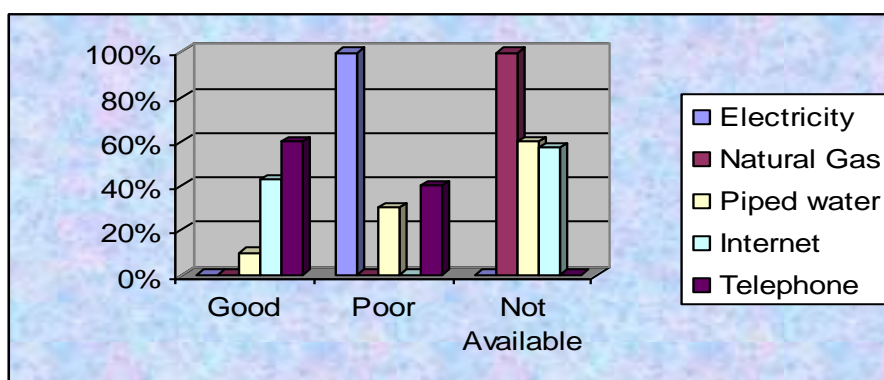


Figure 4: Availability and quality of electricity and other utilities

3.8.6 Transportation and Logistics (including cost and time to market)

Lower Dir is on the National Highway to Upper Dir and Chitral and therefore is well connected to the rest of the country. The main market of the district is Timergara which is also considered a big market for adjacent districts. However, transport is expensive as is in the rest of the country. Farmers cannot reach big markets of the country because the produce is less in quantity and transportation is more expensive. Therefore, they have to rely on middleman and resultantly their share of the pie reduces.

3.8.7 Availability of other supporting infrastructure (e.g. zones)

There is no other supporting infrastructure available like storage facility, zones etc.

3.8.8 Cost and time of delivery to market

Cost and time of delivery to market is not an important factor in Lower Dir because agriculture produce is less and demand is high. Therefore, middle man and consumers purchase commodities at the time of harvest from within the field and farmers do not have to transport it to the main market in Timergara or other urban centers.

4. Embroidery

4.1 Industry and Market Structure

4.1.1 Number of Firms and Competitive Environment

Embroidery is the only sector having 100% female employment in the district. The cap making occupies the primary position whereas the other products i.e., Embroidered garments, Ladies Purse, Hair Accessories, 'Azarband' (trouser belt), and 'Pranda' (female hair band) were also being manufactured. For this study we focused on cap making as this is the potential product in embroidery sector.

According to primary data, the total number of Firms is estimated to be 500 in Lower Dir. However, this data could not be verified from secondary sources as this sector has not been reported by any governmental or non-governmental organization so far. All of the female are working inside their homes and there is no separate setup. Almost all of the women do not have direct access to market and they have to rely on middle man or a male member of their household to purchase raw material and sell their products. The middlemen supply raw material and purchase finished products inside the houses; therefore this sector is growing in the conservative society of Lower Dir.

4.1.2 Historic, current, and potential sales within the sector

According to the survey findings, the Firms sell up to 500,000 per year. Historical trends show that sales have declined in 2007 and 2008 as compared to 2006. The data shows that 75% of the Firms' sale was up to Rs. 250,000 per annum, and 25% Firms had sales between 250,000 and 500,000 rupees per annum. While in 2008 the sales of 85.7% was up to 250,000 and the sales of 14.3% Firms were between 250,000 and 500,000.

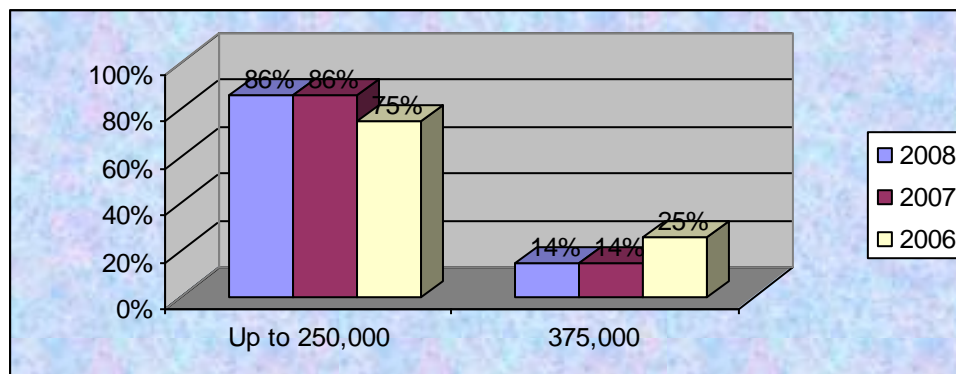


Figure 5: Historic, Current, and Potential Sales within the Sector

4.1.3 Historic, current, and potential investment within the sector

The investment requirement of embroidery sector is not very high. The fixed investment is on sewing machine and embroidery machine while there is no space rented or purchased separately for business. The raw material is purchased on weekly basis and is replenished on weekly basis. Dir Area Support Project (DASP) provided them with financial aid for purchasing machines. Some females purchased machines from their own savings or through their household heads. The investment increased over the years as more females are coming into

this business. Average investment in one embroidery enterprise is Rs. 18,000. Total investment therefore is estimated at Rs. 9,000,000 (Rupees nine million)

4.1.4 Employment

Most of the Firms in embroidery sector are small employing mostly the family members of the owner. However there are Firms that are employing 11 to 15 employees. There are no seasonal employees in this sector and almost one third of the part time employees are part time in Firms that have more than 15 employees. This suggests that even in-house enterprises have good potential for employment both for full time and part time employees. Firms having more than 10 employees are those that are providing trainings besides carrying out their business activities. The trainees are first charged 200 to 500 Rupees per month and later on they are employed in the same center. But the turnover in these centers is high because once the trainees get enough experience they start their own enterprise and the centers recruit fresh trainees.

Table 5 Employment in Embroidery

Number of people	2008		
	Full time	Part-time	Seasonal
	Percentage	Percentage	Percentage
Zero	-	66.7	100
3	66.7	-	-
13	33.3	-	-
15	-	33.3	-

Source: Primary data

4.1.5 Geographical Concentration (presence of industry or service clusters)

Although embroidery can be found throughout the district, the concentrated areas are Timergara, Samarbagh, Munda, Haji Abad and Talash. DASP formed clusters of embroidery in these areas provided technical and financial support females through these clusters.

4.2 Market Dynamics and Potential

4.2.1 Domestic Sales

As per the responses of female all of the products are sold within the district. Products are sold either to middleman or to shop keepers in the urban centers. But discussion with the dealers revealed that caps are supplied to Swat, Malakand, Mardan, Swabi, Peshawar, Charsadda, Nowshera, FATA and Afghanistan. Although exact domestic sales could not be figured out but an estimated 90% of the product is sold domestically in the country.

4.2.2 Export trends and potential

The traders revealed that Dir caps used to be exported to Afghanistan in large quantity when the border was open. But since the border has closed, this export has reduced considerably as other routes are more expensive. Similarly caps are sent to Middle East for expatriate Pakhtuns.

The export, although mostly informal, is estimated to be 10% of the total sales of caps but a confirmed number in terms of quantity or amount could not be figured out.

4.2.3 Comparative Advantage

According to the respondents the two most important advantages of Lower Dir for embroidery are availability of cheap and skilled labor. As embroidery is a labor intensive sector, the availability of cheap labor reduces the cost of business considerably. Moreover, the clusters for embroidery have been developed already therefore there are skilled female available. Since embroidery needs innovations in design and delicacy, skilled labor enhances the marketability and increases sales. Other factors are climatic conditions which creates demands for the custom made garments and easy access to market because entrepreneurs do not have to go to market themselves. The primary data also suggests that favorable government policies also contribute to the comparative advantage of the district. This point was discussed with the traders in FGD who were of the opinion that since there is no restriction on purchase of raw material or marketing of products of embroidery, it is considered to be supportive for this business. However, this may not be a comparative advantage because purchase of raw material and marketing of products of embroidery are equally treated in almost all districts.

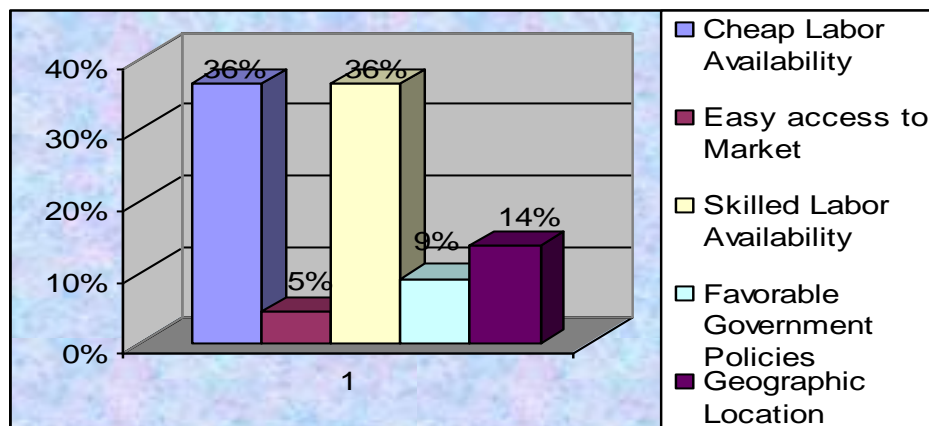


Figure 6: Comparative Advantage in Embroidery

4.2.4 Market Readiness (use and adherence to national and international standards)

The products are made according to the market requirements. But there is no formal standardization practice as such. There are no specific packaging requirements of these products.

4.3 Value Criteria

4.3.1 Value Creation

Different products have different value addition. The average value creation in this sector is 65%. Products like caps have low material cost as most of the cloth used is waste cloth that they purchase from tailors. However, labor cost on caps is high. On the other hand, material cost of garments embroidery is high as good quality cloth is purchased for this purpose.

Residual Value Stream

There is almost no waste in this sector. Almost all of the material is used because most of the work is done by hand.

4.4 Women, Youth, IDP Employment Opportunities

4.4.1 Women-owned businesses

All businesses in this sector are owned by women.

4.4.2 Historic, current, and potential employment of women, youth

The average employment of a firm is 6 while the total number of firms is estimated to be 500. This leaves the employment of females at 3000. However, the data shows that there are no youth in this sector.

4.4.3 Employment of IDPs in at-risk districts

There are no IDPs working in this sector.

4.5 Supporting Environment for Value Chain

4.5.1 Business enabling constraints, including institutional and regulatory constraints

There are no regulatory constraints for this sector. Constraints cited by the majority of respondents are lack of capital and electricity problems. Other constraints are utilities and skills deficiency. Skills deficiency was an important factor to be probed further. Respondents said that after winding up of DASP project, they do not have any link with the outside market and therefore cannot offer latest variety in garments embroidery. As a result, new designs are coming from markets like Peshawar, Lahore and Faisalabad and by the time they start making the new designs the trend changes. Respondents said regular capacity building interventions will enable them to meet the needs of the local market.

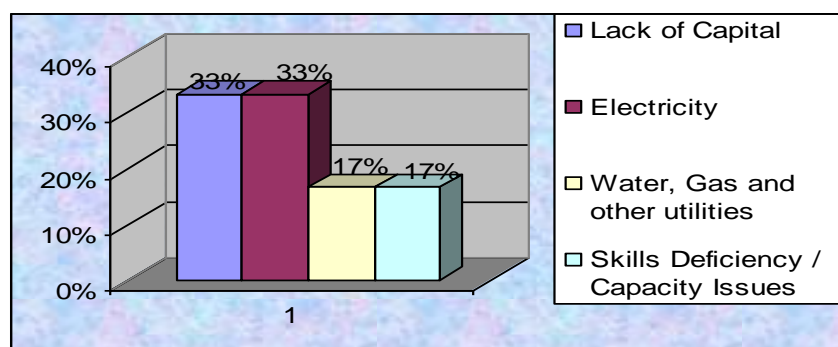


Figure 7: Business-Enabling Constraints, Including Institutional and Regulatory Constraints

Source: Primary Data

4.5.2 Business associations

There are no formal business associations. The clusters formed by DASP exist on paper, but they are dormant and do not offer any service to the Firms.

4.5.3 Higher education and vocational education institutions & annual number of graduates from these institutions

There are no vocational institutions for embroidery in the district. Some females offer informal training to new entrants.

4.5.4 Costs of electrical inefficiencies to enterprises interviewed

Overall, the cost of electrical inefficiencies to the enterprises is 30%. The Firms do not have any alternate source of power. A total of 20 hours is lost during working hours, which makes them work during off work hours. However, this disturbs their family life and not all entrepreneurs have the luxury of working in off work hours. They do not have any plans of alternate power arrangements, as these are the decisions taken by the male head of household in this conservative society. They said that even if they arrange for generator the cost of production will go up which would question the viability of their business. The availability and quality of utilities are given in the chart below, which shows that the availability and quality of telephone is the best among all other utilities. Natural gas is not available, piped water is of poor quality and internet is also available.

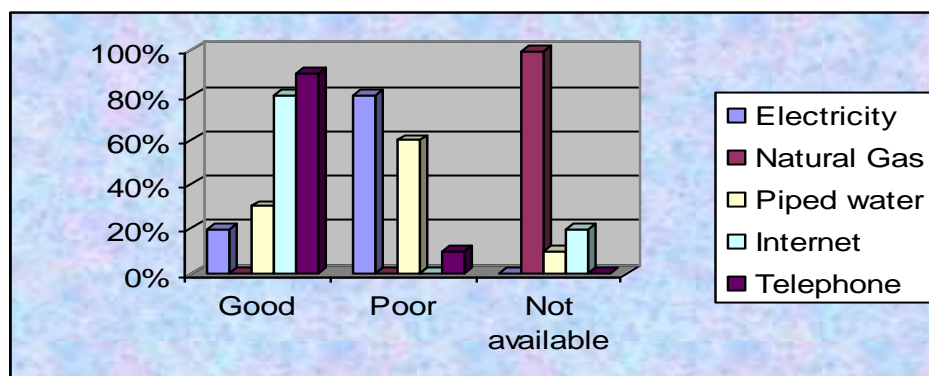


Figure 8: Availability and Quality of Electricity and Other Utilities

Source: Primary data

4.5.5 Availability of transport/logistics infrastructure

Raw material and finished products are transported via the public transport. Transportation and infrastructure is available and have little impact on their business.

4.5.6 Cost and time of delivery to market

Given the volume of raw material and finished products, the cost of transportation to the market is minimal. The time of delivery to the market is not worth consideration for the entrepreneurs because mostly intermediary buys products at their door steps and transport to the markets inside and outside the district.

5. Livestock

5.1 Industry and Market Structure

5.1.1 Number of Firms and Competitive Environment

Livestock is one of the main economic sectors of Lower Dir. According to the Livestock census 2006 the total population of livestock is 1,659,203 in the district. This includes cattle, buffaloes, sheep, goats, poultry, camel, horse, asses and mules. Most of the livestock are kept within the houses while only poultry has separate farms and this is the major activity carried out as commercial venture in the district.

Table 6 Total Population of Livestock

District	Total	Cattle	Buffaloes	Sheep	Goats	Poultry	Camel	Horse	Asses	Mules
N.W.F.P	35,632,579	4,422,358	1,801,658	1,685,748	6,180,537	21,004,067	41,669	57,942	409,185	29,415
Lower Dir	1,659,203	249,007	16,258	47,946	292,539	1,049,590	348	148	2,980	387

Source: Livestock Census 2006

The census data shows that there are more than one million poultry in the district; however FGD with poultry sector revealed that there are 800,000 poultry in 300 poultry farms. In livestock we take poultry as a focused product in this sector.

5.1.2 Historic, current, and potential sales within the sector

Historically the sales are growing in the livestock sector. Sales have increased considerably in 2007 as compared to 2006. In 2008, the marginal sales have decreased as compared to 2007, but total sales have increased.

Table 7 Historic, Current, and Potential Sales within the Sector

Amount in Rupees	2008	2007	2006
	percentage	Percentage	percentage
100,000	18.2	22.2	28.6
175,000	18.2	11.1	42.9
375,000	36.4	44.4	28.6
750,000	9.1	11.1	-
1,500,000	9.1	-	-
2,500,000	9.1	-	-
4,000,000	-	-	-
5,000,000	-	11.1	-

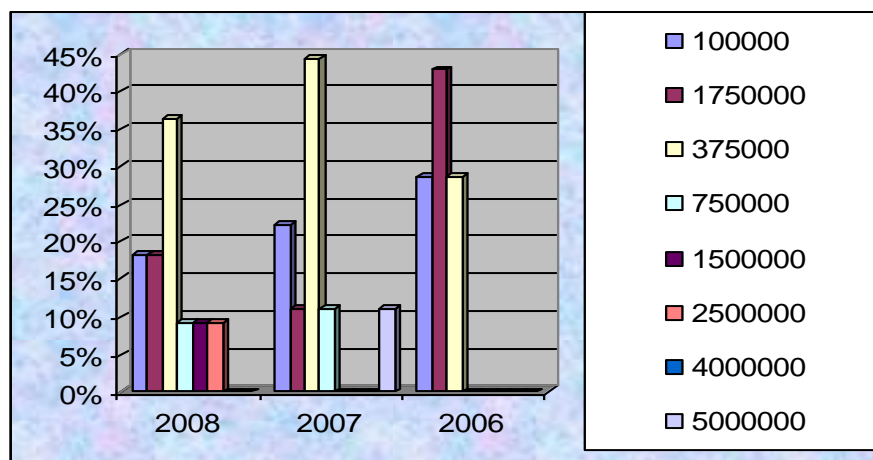


Figure 9: Historic, Current, and Potential Sales within the Sector

5.1.3 Historic, current, and potential investment within the sector

As per the findings of FGD, investment on one chick in poultry is Rs. 140. Total investment in poultry is estimated at Rs. 112,000,000. The sector is growing and the growth rate is around 20% over the past three years as per the discussion with the participants in the FGD.

5.1.4 Employment

A total of 1200 people are working in farms while the same numbers of people are working in the supply chain within the district. This makes the total employment of poultry sector at an estimated number of 2400.

Table 8 Employment in Livestock

Number of people	2008		
	Full time	Part-time	Seasonal
	Percentage	Percentage	Percentage
3	60	-	-
8	10	-	-
13	10	-	-
18	10	-	-
20	10	-	-

Source: Primary data

5.1.5 Geographical Concentration

The climate of Lower Dir is very suitable for poultry farming therefore farms are found in almost the entire district. Major clusters are near Timergara on Samarbagh Road while there are small clusters near every town like Samarbagh, Munda, Talash and Haji Abad. However, more than

70% of the farms are around Timergara because of accessibility to market for inputs and marketing of their finished products.

5.2 Market Dynamics and Potential

5.2.1 Domestic Sales

About 60% of the product is consumed while 40% is transported to other district like Upper Dir, Bajaur and Malakand. There was huge demand of poultry in Swat two years back but because of the law and order situation the consumption has decreased. After military operation against Taliban, the demand is increasing again. But the demand is only for domestic use as hotels are still closed.

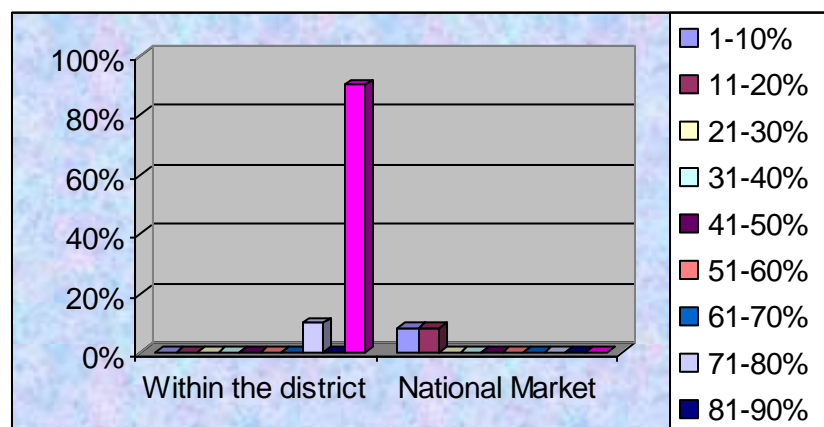


Figure 10: Domestic Sales

Source: Primary data

5.2.2 Export trends and potential

Poultry used to be exported to Afghanistan when the border was open but the data is not available. However, since the border is closed, there is no export directly from Lower Dir to Afghanistan. Poultry is exported to Afghanistan via Peshawar but the farmers and dealers of Lower Dir are not involved in it. Currently the production hardly meets the local and surrounding districts demand and return from the local market is high.

5.2.3 Comparative Advantage

The climate of Lower Dir is suitable for poultry farming. Farms have been established in the hilly areas therefore there are few diseases. It is worth mentioning that medicines is one of the major expense of poultry and almost all the diseases travel from one farm to another in days if not in hours. But the terrain and climate of Lower Dir is comparative advantage over the plan districts for poultry farming.

5.2.4 Market Readiness (use and adherence to national and international standards)

There are hardly any varieties in poultry and the consumers are not quality sensitive. The demand of consumers is disease free fresh meat. There is no packing as chicks are transported alive to market.

5.3 Value Criteria

5.3.1 Value Creation

The raw material for one unit is worth 100 rupees and the finished product is sold at 145 rupees, therefore the value creation is 45%.

5.4 Women, Youth, IDP Employment Opportunities

5.4.1 Women oriented businesses

There are no women-owned poultry farms in the district. However, women are engaged in other livestock activities. One such female was interviewed by the survey team in Odigram.

5.4.2 Historic, current, and potential employment of women, youth; Employment of IDPs in at-risk Districts

The youth is employed by the poultry sector in large numbers. 67% of the farms have 1-5 full time young employees while 33% have more than 5 young employees. There are no women and IDPs employees in the farm. Women are engaged in livestock but those are not considered as commercial activity. However their contribution cannot be overlooked.

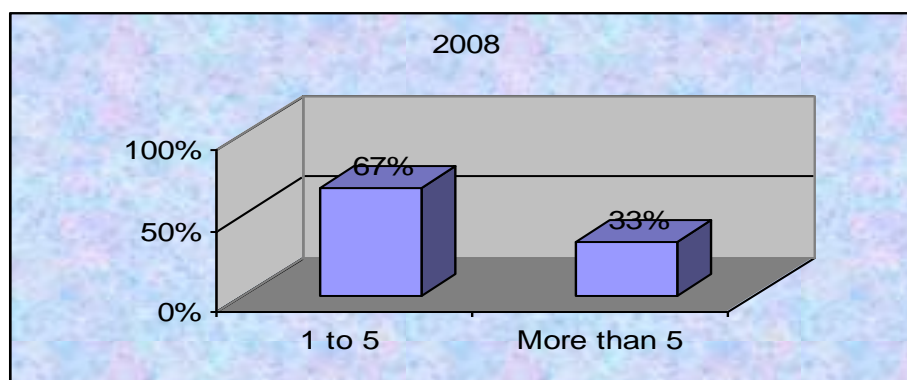


Figure 11: Employment of Youth

Source: Primary data

5.5 Supporting Environment for Value Chain

5.5.1 Business enabling constraints, including institutional and regulatory constraints

Three major constraints are lack of capital, electricity problems and skill remittances back to the district but not more of the remittances are invested in livestock. Electricity is important for poultry farm because water has to be available all the time. Since pipe water is available in selected areas of the urban council, almost all of the farms have their own arrangements for water and electricity. The other important constraint is lack of a diagnostic center of poultry in the district. Farmers have to send samples to Rawalpindi and get result of tests in not less than 3 days. Due to the time delay, they are unable to start medication on time. Resultantly they suffer losses.

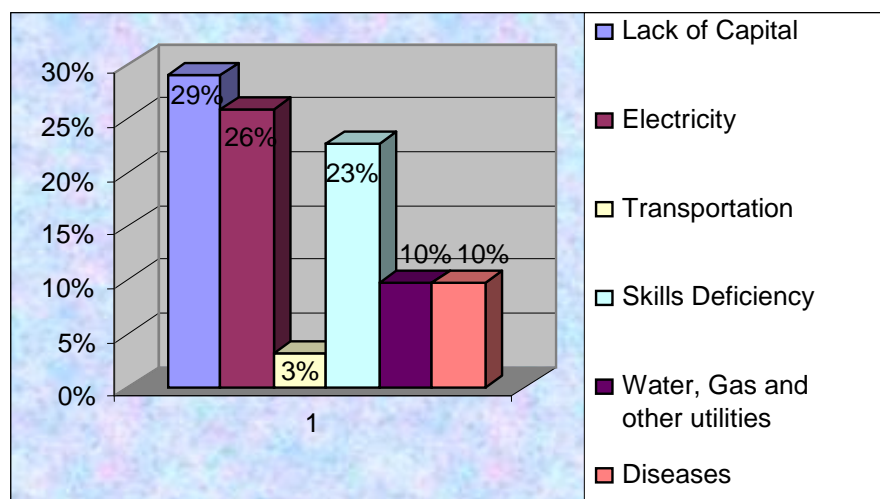


Figure 12: Business-Enabling Constraints

Source: Primary data

5.5.2 Business associations

There is a poultry association, which was formed by DASP. This association provides few services like vaccination, training of new farmers and market linkages. But all these services are offered informally and without any charges except for vaccination where vaccinator has to be paid for the time he spends.

5.5.3 Higher education and vocational education institutions & annual number of graduates from these institutions

There is no opportunity for formalized training by any government training institute and skill is learnt on informal basis through hit and trail method.

5.5.4 Other government/nongovernmental institutions

According to the bureau of statistics, NWFP, there are 7 livestock hospitals and 420 dispensaries in Lower Dir. They provide services to livestock other than poultry.

Table 9 Livestock Government/ Nongovernmental Institutions

District	Total	Hospitals	Dispensaries	Centers
NWFP	763	101	420	242
Lower Dir	26	7	19	-

5.5.5 Costs of electrical inefficiencies to enterprises interviewed

According to the farmers, as they expressed in FGD, electricity problems increases their expenses by 15% and they incur losses of 5 to 10 percent.

5.5.6 Transportation and Logistics (including cost and time to market)

Transport is available for raw material and finished products.

5.5.7 Availability of other supporting infrastructure (e.g. zones)

There is no formal supporting infrastructure. However, the market has developed enough and a good cluster is developed.

5.5.8 Cost and time of delivery to market

Almost all farmers sell the products inside the farm and they do not need to transport it to the market. There is no market of poultry in the district and dealer purchase finished products in farms and transport it to markets.

6. Horticulture

6.1 Industry and Market Structure

6.1.1 Number of Firms and Competitive Environment

Total land under cultivation in horticulture sector is not reported by the government statistics. However, FGD with horticulture revealed that there are an estimated 400 horticulture farms with an average cultivated area of 6 hectares (15 acres or 30 jiribs). Hence total area under cultivation by horticulture sector is 2400 hectares in Lower Dir. Main crops of horticulture are citrus fruit (orange), onion and potato. DASP had carried out gap analysis exercise of vegetables and had launched an awareness campaign for farmers so that they understand the demand gap of vegetables and can grow those vegetables at a time when demand in the market is high. This has resulted in tunnel farming as some vegetables are grown in off-season when the profit margin is high.

6.1.2 Historic, current, and potential sales within the sector

The sales within horticulture sector has increased in 2007 as compared to 2006 as more farmers sold produces worth up to one million rupees. However, the sales have decreased in 2008 as compared to 2007. The decrease in sales has been attributed to electricity problems, increase in prices of inputs and law & order situation in the district.

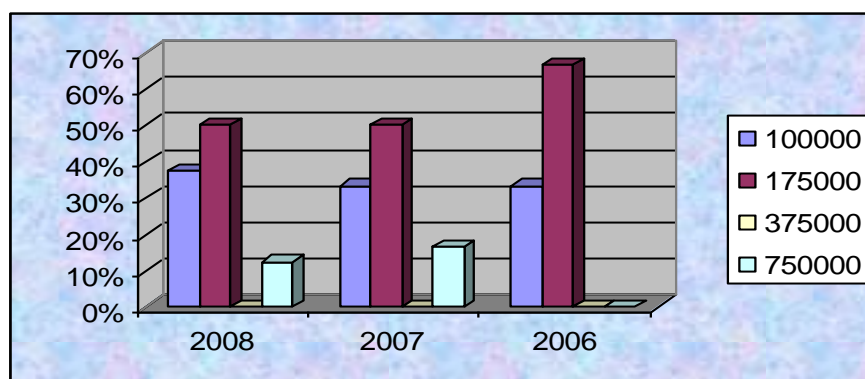


Figure 13: Historic, Current, and Potential Sales within the Horticulture Sector

Source: Primary data

6.1.3 Historic, current, and potential investment within the sector

Investment of one farm (6 hectares) is estimated to be 200,000 in season. Thus the total investment in the sector is estimated to be 80,000,000. This includes the plantation of orchards, inputs, labor, transportation and irrigation.

6.2 Employment

Discussion in the FGD with horticulture sector estimated an average of 8 full time employees and 10 seasonal employees on each farm. These include the farmers themselves and their family members also. The primary data also shows that there are full time and seasonal

employees while there are no part-time employees working in farms in horticulture sector. Finally the number of full time employees was estimated to be 3200 while seasonal employees were estimated to be 4000 in the sector.

Table 10 Employment in Horticulture Sector

Number of people	2008		
	Full time	Part-time	Seasonal
	Percentage	Percentage	Percentage
3	62.5	-	37
8	12.5	-	18.5
13	-	-	17.5
18	12.5	-	15
20	-	-	12

Source: Primary data

6.2.1 Geographical Concentration (presence of industry or service clusters)

Major centers of horticulture are Talash, Ziarat, Timergara, Rabat, Munda and Samarbagh. The availability of water and market accessibility is major factors in concentration of horticulture activities in these areas.

Market Dynamics and Potential

6.2.2 Domestic Sales

Most of the produce is sold within the district. 1-10% of the respondents sell 80% of their produce to national market, while 91-100% of respondents sell their 83.3% of their produce in the district market.

Table 11 Domestic Sales in horticulture sector

Percentage of Sale	Within District	National
	Percentage	Percentage
1-10%	-	80
11-20%	16.7	-
21-30%	-	-
31-40%	-	-
41-50%	-	-
51-60%	-	-
61-70%	-	-
71-80%	-	10
81-90%	-	-
91-100%	83.3	10

Source: Primary data

6.2.3 Export trends and potential

Although farmers and local traders are not involved directly in export therefore they do not have exact figures of export of their produce. However, they estimate 3 to 5 percent of vegetables and citrus are exported to Middle East. Some of the farmers sell their off-season vegetables to dealers in Peshawar who export it.

6.2.4 Comparative Advantage

Lower Dir has good climatic conditions; cheap labor availability, availability of raw material, fertility of land and social and cultural environment provide a good enabling environment for horticulture sector.

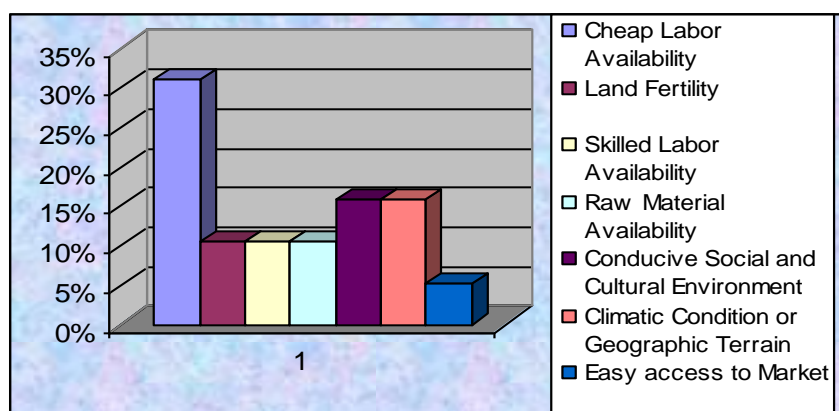


Figure 14: Comparative Advantage in Horticulture Sector

Source: Primary data

6.2.5 Market readiness, including ability to meet end market requirements (standards, packaging, volume)

Over the past few years trend in investment in packaging of fruits is increasing. There is no packaging of vegetables. No standards are in practice in horticulture sector. The citrus of Lower Dir is itself famous for its quality. The off-season vegetables are marketed without proper packaging and without following any standards because the demand is already high in off-season.

6.3 Value Criteria

6.3.1 Value Creation

Value creation in the horticulture is 76% in Lower Dir.

6.4 Women, Youth, IDP Employment Opportunities

6.4.1 Women-owned businesses

There are no women-owned horticulture farms in Lower Dir.

6.4.2 Historic, current, and potential employment of women, youth; Employment of IDPs in at-risk Districts

There are no females working in the horticulture sector. The youth is working in this sector in considerable number. 30% of the respondents said that they have 1-5 young employees while 10% said they have 16-20 full time young employees.

6.5 Supporting Environment for Value Chain

6.5.1 Business enabling constraints, including institutional and regulatory constraints

Major constraints in the horticulture sector are lack of capital, electricity problems, storage and transportation problems, and water issues. There are no storage facility in the district which makes the post harvest handling of produce difficult and result in losses. Horticulture produces like tomato, potato, onion and citrus need cold storage and moisture extraction plants which are not available. The survey team observed onions lying in open area having no protection from heat and rain.

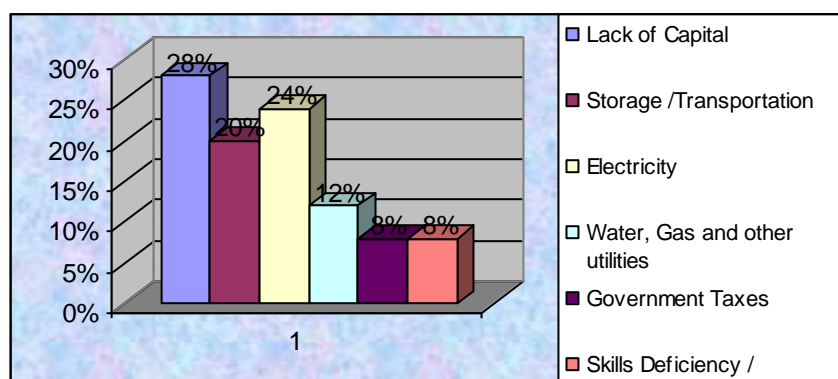


Figure 15: Business enabling constraints, including institutional and regulatory constraints, in horticulture sector

Source: Primary data

6.5.2 Business Associations

There is no separate association of horticulture farmers. Some of these farmers are members of the agriculture association.

6.5.3 Higher education and vocational education institutions & annual number of graduates from these institutions

There are no higher education and vocational education institutions in the district for horticulture sector.

6.5.4 Other government/nongovernmental institutions

Agriculture extension department is providing some services to horticulture sector like awareness on pesticide spray, selection of seed and harvesting practices.

6.5.5 Costs of electrical inefficiencies to enterprises interviewed

The cost of electrical inefficiencies is up to 40% in horticulture sector as the irrigation is dependent on tube wells, which are mostly operated through electricity. In absence of electricity, tube wells have to be operated through generators run by petrol or diesel which increases the cost of production. Natural gas is not available in the district while piped water is of poor quality.

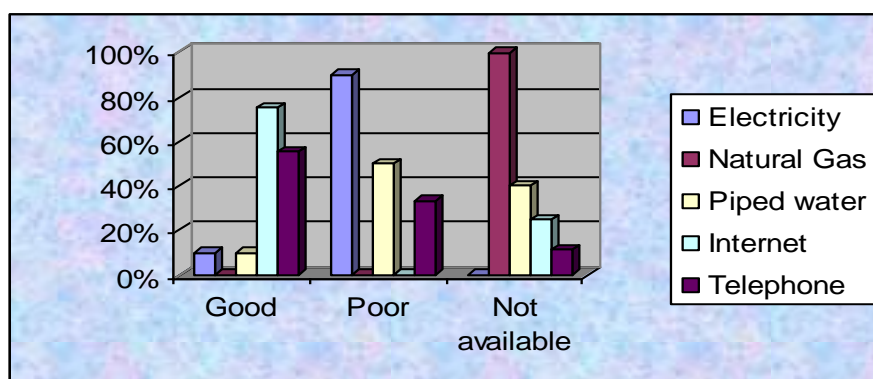


Figure 16: Availability and Quality of Electricity and Other Utilities

6.5.6 Transportation and Logistics (including cost and time to market)

Transport is available both to local and national market from Lower Dir.

6.5.7 Availability of other supporting infrastructure (e.g. zones)

There is no other supporting infrastructure for horticulture in Lower Dir.

6.5.8 Cost and time of delivery to market

But when produce is transported to major markets like Lahore, Faisalabad the cost and time of transportation is very high. Trucks charge 20,000 rupees and take 12 hours from Timergara to Lahore.

7. Trade

7.1 Industry and Market Structure

7.1.1 Number of Firms and Competitive Environment

Trading is the largest investment sector in terms of investment and turn over. According to finding of FGD, there are total of 4500 trade businesses in Lower Dir. Timergara has 3500 traders, Khal has 250 traders, Rabat 50 traders, Samarbagh has 150 traders, Munda has 250 traders, Chakdara has 250 traders and Talash has 50 traders.

7.1.2 Historic, current, and potential sales within the sector

The data of annual turnover is very difficult to capture, as primary data does not depict this data. This is because of two reasons. Either traders do not have any records or sales or they do not want to share this information because they fear that tax may be imposed on them but according to FGD the average daily turnover of traders in Lower Dir is estimated to be 45,000,000 rupees in Lower Dir.

7.1.3 Historic, current, and potential investment within the sector

Total investment in the sector was again difficult to calculate because there are different sizes of business. However, the average investment was estimated to be 400,000 in the FGD. This makes the total investment figure as 1,800,000,000 (Rupees 1.8 billion) in trade sector.

7.1.4 Employment

Average employment in one shop is 3, and total employment in trading sector is 13,500. Detail of the full time, part time and seasonal employment is given in the chart.

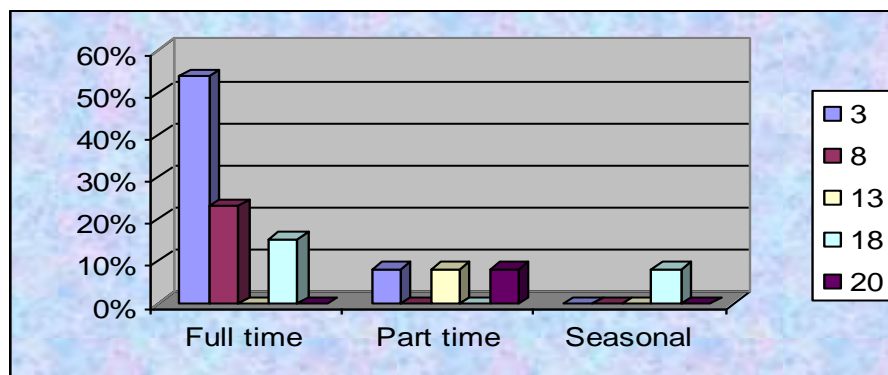


Figure 17: Employment in trade

Source: Primary data

7.1.5 Geographical Concentration

Trading is concentrated in urban centers in Timergara, Khal, Rabat, Samarbagh, Munda, Chakdara and Talash.

7.2 Market Dynamics and Potential

7.2.1 Domestic Sales

Trading sector is serving Lower Dir, Upper Dir, Bajaur and Chitral.

7.2.2 Export trends and potential

Previously food and non-food items used to be exported to Afghanistan, but after closure of border there is no export to Afghanistan from Lower Dir.

7.2.3 Comparative Advantage

Lower Dir is on the national highway and is main market for Upper Dir, Bajaur and Chitral.

7.3 Value Criteria

7.3.1 Value Creation

Value creation in trade is 84%.

7.4 Women, Youth, IDP Employment Opportunities

7.4.1 Women-owned businesses

There are a few women-owned businesses. Women sell clothes, baby outfits, cosmetics and other items inside their houses but the exact number of these businesses could not be figured out.

7.4.2 Historic, current, and potential employment of women, youth; Employment of IDPs in at-risk Districts

Trading sector has employees from the youth in considerable numbers. 17.6% respondents said they have 1-5 full time employees between the ages of 16 to 20, while 5.9% said they have 1-5 part time young employees.

Table 12 Employees from the Youth in the Trading Sector

Number of people	2008		
	Full time	Part-time	Seasonal
	Percentage	Percentage	Percentage
3	17.6	5.9	0
8	-	-	0

Source: Primary data

7.5 Supporting Environment for Value Chain

7.5.1 Business enabling constraints, including institutional and regulatory constraints

Major constraints are lack of capital and electricity. Other constraints include transportation, utilities, skill deficiency and government policies. As per the FGD findings the government policy regarding quota system of food items for district needs to be revised because Lower Dir serves other districts like Upper Dir and Bajaur. There are no sophisticated skills required for trading; however, the low literacy level of people in the district is a constraint in finding employees with some basic customer service skills.

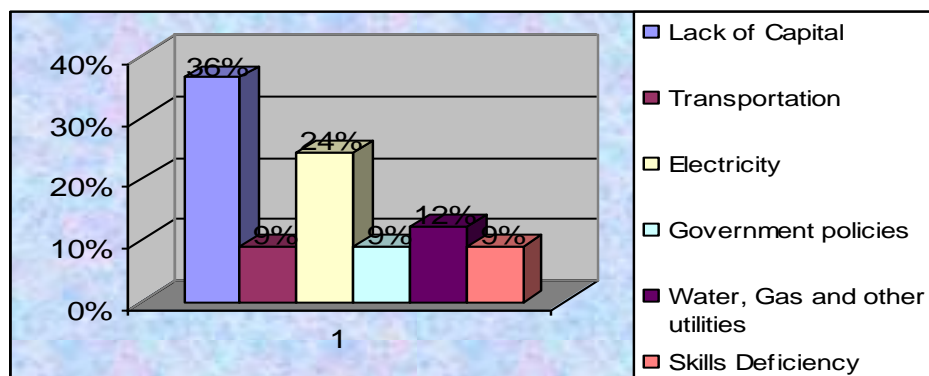


Figure 18: Business enabling constraints, including institutional and regulatory constraints, in trading

Source: Primary data

7.5.2 Business Associations

There is a traders association in Timergara. This association is very active and facilitates traders in issues with the government and suppliers. They have close coordination with other trade associations nationally.

7.5.3 Higher education and vocational education institutions & annual number of graduates from these institutions

Not available

7.5.4 Other government/nongovernmental institutions

Not available

7.5.5 Costs of electrical inefficiencies to enterprises interviewed (e.g. what is the impact of current electric shortfall, shutting down production, generating alternative power, plans for next four years to deal with energy, overall cost of power to production costs)

Cost of electrical inefficiencies to traders is 10 to 15% as per the FGD findings. Major reason is that some traders provide raw material to manufacturing and service sectors and demand of these sectors shrinks because of the electrical inefficiency. Hence the sale of such traders decreases.

7.5.6 Transportation and Logistics (including cost and time to market)

Transport is available both for within the district and to other district. Roads are paved to urban centers and to other districts.

7.5.7 Availability of other supporting infrastructure (e.g. zones)

Not available

7.5.8 Cost and time of delivery to market

Not available

8. Metal Sector

8.1 Industry and Market Structure

8.1.1 Number of Firms and Competitive Environment

Metal is a growing sector in Lower Dir. It started in 2000 when DASP project conducted training on enterprise development and gave exposure visits to interested youth. Since then the sector has grown at a good pace. There are 200 small, medium and large shops (factories) in Lower Dir.

8.1.2 Historic, current, and potential sales within the sector

Since this sector is growing, the sales are growing every year. There was no firm with more than 5 million rupees sale in 2006 while there were 9.1% Firms with this amount of sales in 2007. Similarly Firms with 3 million to 5 million rupees sales increased from 9.1% to 27.3% from 2007 to 2008.

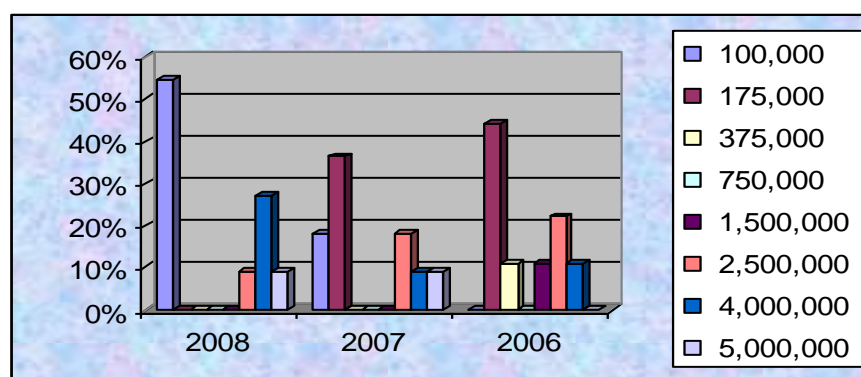


Figure 19: Historic, Current, and Potential Sales within Metal Sector

Source: Primary data

8.1.3 Historic, current, and potential investment within the sector

Different sizes of Firms have different investment requirements. Small Firms require 100,000 rupees; medium Firms require 250,000 rupees while large Firms (factories) require 8 million rupees to establish metal business. There are only two large Firms in the metal sector, the rest are small and medium. Total investment in the sector is estimated to be 25,000,000.

8.1.4 Employment

Average employment per firm is 5. Total employment in the sector is 1000. More than 40% of the employees are children of school going age. The sale of metal sector increases in summers and decreases in winter because it is directly related with the construction sector. Construction work decreases in winter because days are too short and construction labor is expensive. Since there is seasonal factor in this sector, they hire seasonal labor in summers to meet the increased demand.

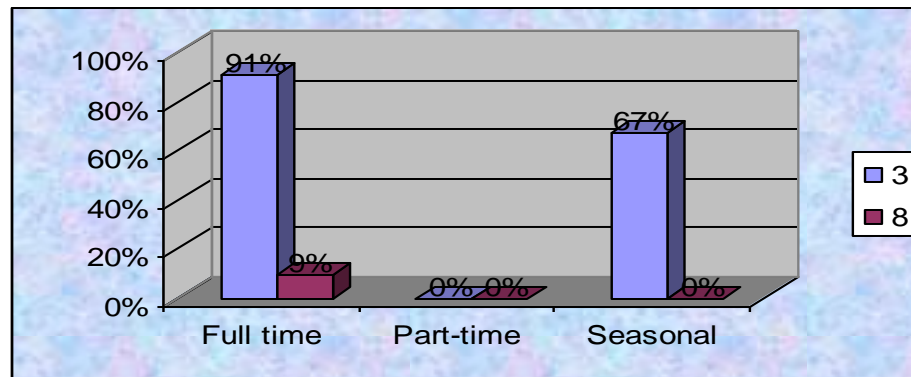


Figure 20: Employment

Source: Primary data

8.1.5 Geographical Concentration (presence of industry or service clusters)

Timergara is the major center of metal sector.

8.2 Market Dynamics and Potential

8.2.1 Domestic Sales

95% of the products are sold locally in the district and 5% are sold in Upper Dir and Bajaur Agency.

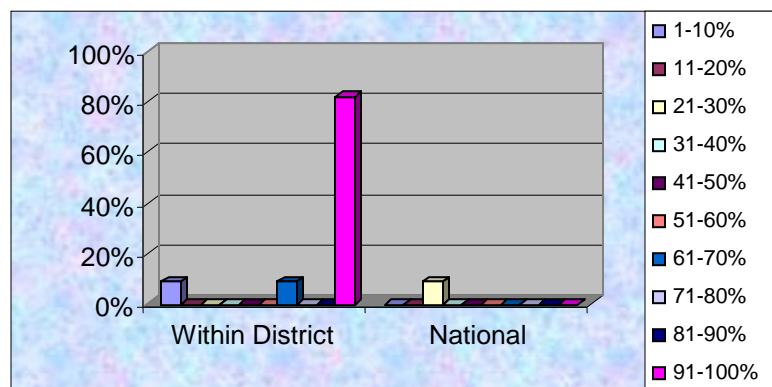


Figure 21: Domestic Sales in Metal Sector

Source: Primary Data

8.2.2 Export trends and potential

The sector does not export its products. However if the border with Afghanistan opens, there will be export of steel doors, windows and fences in a good quantity.

8.2.3 Comparative Advantage

Availability of cheap labor is the major advantage. Children of school going age are recruited for 200 rupees per week.

8.3 Value Criteria

8.3.1 Value creation

Value creation is 77.5% in the sector as most of the raw material is purchased in refined form and these Firms only shape it according to the requirements of customers.

8.4 Women, Youth, IDP Employment Opportunities

8.4.1 Women-owned businesses

There are no women-owned businesses.

8.4.2 Historic, current, and potential employment of women, youth; Employment of IDPs in at-risk Districts

FGD with metal sector revealed that 80% of the employees are youth.

8.5 Supporting Environment

8.5.1 Business enabling constraints, including institutional and regulatory constraints

There is no facility of machines repair in the district therefore increase on repair increases many fold because they have to get their machines repaired from Peshawar, Rawalpindi or Lahore. There is no arrangement for loading and unloading of raw material of metal. Manual loading and unloading is very tiring and risky when large sheets of steel or heavy metal doors are transported.

8.5.2 Business Associations

The business association formed by DASP is dormant and does not provide any service to members. New entrants even do not know about his association.

8.5.3 Higher education and vocational education institutions & annual number of graduates from these institution

There is no such institution in the district. The Pak-Holland Metal Project in Peshawar used to provide them capacity building services and DASP used to help them in market linkages but both projects are closed now.

8.5.4 Other government/nongovernmental institutions

No such institutions are available.

8.5.5 Costs of electrical inefficiencies to enterprises interviewed

Metal sector is all-dependent on electricity. Therefore the losses due to power break down is more than 50% as alternate arrangement cost more than the total investment of a small firm.

The quality of electricity is poor and natural gas, piped water and internet are almost not available.

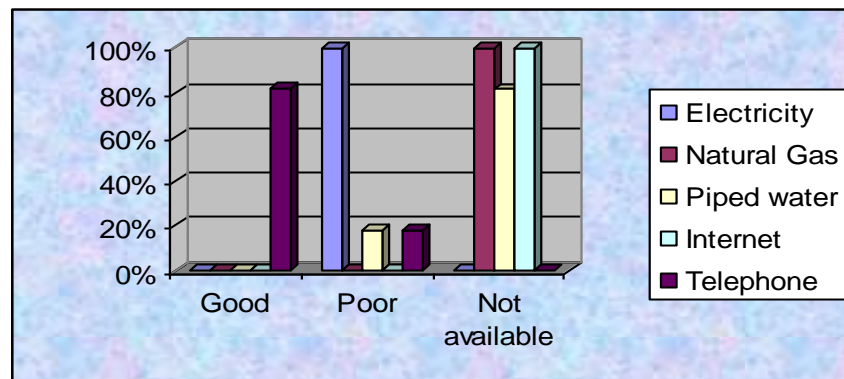


Figure 22: Availability and Quality of Electricity and Other Utilities

8.5.6 Transportation and Logistics (including cost and time to market)

Transport is available both for raw material and finished goods. Trucks are used for raw material and pickups and carts are used for transportation of finished products.

8.5.7 Availability of other supporting infrastructure (e.g. zones)

There is no supporting infrastructure available for metal sector in the district.

8.5.8 Cost and time of delivery to market

Main markets for raw material are Karachi, Lahore and Peshawar. The cost of transport is getting higher with the increasing price of diesel and poor law and order situation in the district. Time of transportation from Peshawar and Lahore is moderate while it takes more than 36 hours from Karachi.

9. Food Processing

9.1 Industry and Market Structure

9.1.1 Number of Firms and Competitive Environment

There are different manufacturing and processing units in food processing sector. These include flourmills, husking mills, grinding mills, oil extraction mills and bakeries. The total number of these Firms is 150 in Lower Dir.

9.1.2 Historic, current, and potential sales within the sector

Sales within the food-processing sector are increasing as per the primary data collected. It is worth noting that the larger sales (more than 2 million) are those of flourmills while other units sell up to 2 million rupees.

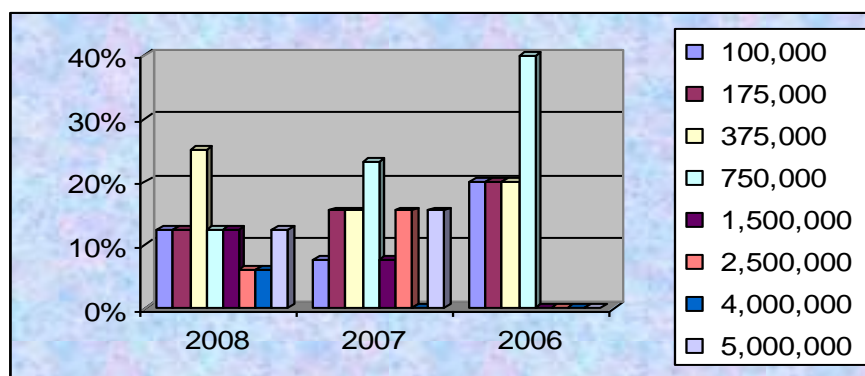


Figure 23: Historic, Current, and Potential Sales within the Food-Processing Sector

Source: Primary data

9.1.3 Historic, current, and potential investment within the sector

Capital investment in a flourmill is Rs.10 million and there are 5 flour mills in Lower Dir. Other units have investment ranging from 100,000 to 1,000,000. The total investment in this sector is Rs.60 million.

9.1.4 Employment

According to the FGD data, total employment in the sector is 500.

9.1.5 Geographical Concentration

The food-processing sector is concentrated in Timergara and surrounding areas.

9.2 Market Dynamics and Potential

9.2.1 Domestic Sales

All of the food processing units are selling their products within the district and to other surrounding districts.

9.2.2 Export trends and potential

Flourmills used to export flour to Afghanistan in the past. But there is no more export since the border is closed.

9.3 Value Criteria

9.3.1 Value creation

Average value creation in food processing is 56 percent.

9.4 Women, Youth, IDP Employment Opportunities

9.4.1 Women-owned businesses

There are no women-owned businesses in food processing sector.

9.4.2 Historic, current, and potential employment of women, youth; Employment of IDPs in at-risk Districts

There are no women and IDPs employees in this sector. 12.5% of the respondents said that they employ 1-5 youth in their Firms.

9.5 Supporting Environment

9.5.1 Business enabling constraints, including institutional and regulatory constraints

There is quota system in supply of wheat which is considered as a regulatory constraint by the flour mills.

9.5.2 Business Associations

There is not business association of food processing sector. However, flour mills are members of All Pakistan Flour Mills Association.

9.5.3 Higher education and vocational education institutions & annual number of graduates from these institutions

Not available

9.5.4 Other government/nongovernmental institutions

Not available

9.5.5 Costs of electrical inefficiencies to enterprises

Cost of electrical inefficiencies in this sector is 25 to 50 percent, as this sector is heavily dependent on electricity.

9.5.6 Transportation and Logistics (including cost and time to market

Transport is available both for raw material and finished goods.

9.5.7 Availability of other supporting infrastructure (e.g. zones)

Not available

9.5.8 Cost and time of delivery to market

Since the products are supplied to local market, the cost and time is normal.

10. Marble and Construction Sector

10.1 Industry and Market Structure

10.1.1 Number of Firms and Competitive Environment

Total number of Firms in marble and construction sector is 35. These include marble factories, concrete factories and chips machines.

10.1.2 Historic, current, and potential sales within the sector

The volume of sales of this sector is high as construction material including marble has high demand. The data shows that sale of these material has increased in 2008 as compared to 2007. The data for 2006 is not available.

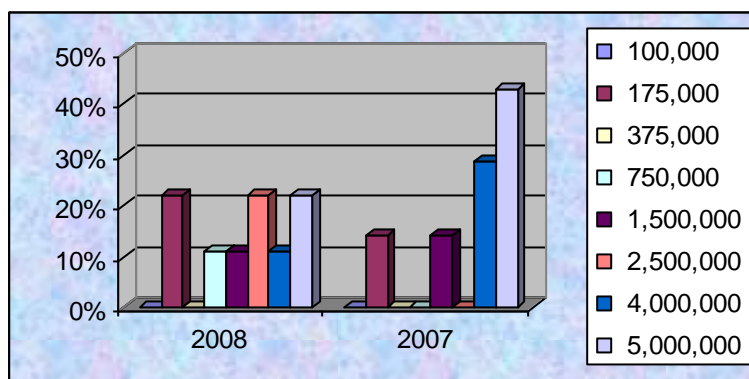


Figure 24: Historic, Current, and Potential Sales within the Marble and Construction Sector
Source: Primary data

10.1.3 Historic, current, and potential investment within the sector

Investment in the sector, as per the FGD, is 60 million rupees.

10.1.4 Employment

Total employment in the sector is 700. These are full time employees working in this sector.

10.1.5 Geographical Concentration

Geographically this sector is concentrated in Chakdara and Timergara.

10.2 Market Dynamics and Potential

10.2.1 Domestic Sales

All of the products are sold locally. This sector cannot even meet the demand of local market and some products are transported from other districts to meet the demand of the market.

10.2.2 Export trends and potential

No construction material has been exported so far from Lower Dir. However the demand of these demand is high in Afghanistan and there is a good potential of export once the border is opened.

10.2.3 Comparative Advantage

The raw material for this sector is mostly transported from Upper Dir therefore Lower Dir has no comparative advantage in this sector other than cheap labor.

10.3 Value Criteria

10.3.1 Value Creation

Value creation in this sector is 59% on average.

10.4 Women, Youth, IDP Employment Opportunities

10.4.1 Women-owned businesses

There are no women-owned businesses of construction material in the district.

10.4.2 Historic, current, and potential employment of women, youth; Employment of IDPs in at-risk Districts

There are no women and IDPs employed by this sector. Youth are employed by the sector as the primary data shows 10% of the respondents said they have 1-5 full time youth employees while 10% said they have more than 5 youth employees in their Firms.

10.5 Supporting Environment

10.5.1 Business enabling constraints, including institutional and regulatory constraints

Expensive electricity is one of the major constraints and inefficiency of electricity causes huge losses to this sector. Moreover, there is local tax on raw material from Upper Dir.

10.5.2 Business Association

There is no association in this sector in Lower Dir.

10.5.3 Higher education and vocational education institutions & annual number of graduates from these institutions

Not available

10.5.4 Other government/nongovernmental institutions

Not available

10.5.5 Costs of electrical inefficiencies to enterprises interviewed (e.g. what is the impact of current electric shortfall, shutting down production, generating alternative power, plans for next four years to deal with energy, overall cost of power to production costs)

Cost of electrical inefficiencies is very high in marble factories as those factories cannot be operated through any alternate source of electricity. The Firms are completely closed down when there is a power breakdown.

10.5.6 Transportation and Logistics (including cost and time to market)

Transport is available both for raw material and for finished goods. Finished goods are transported by customers and Firms do not have to arrange transport to the market.

10.5.7 Availability of other supporting infrastructure (e.g. zones)

Not available

10.5.8 Cost and time of delivery to market

Not significant

